

Agency-Company Relations, Their Character And Growing Importance

By KENNETH O. FORCE
(Talk at Columbus convention of Ohio Assn. of Insurance Agents.)

Company-agent relations are by no means as good as they have been in the past. If they have improved somewhat over a year or two ago, they are still bad enough to warrant another discussion of their condition, their importance, and how they can be improved.

1. They are in for further strain.
2. They are becoming more important than ever, very largely because of those factors which are responsible for the increased strain.
3. The lines of communication between the agent and his company should be reassessed to determine if

they are being used properly and most effectively.

In the days ahead, the attitudes of company and agent toward each other are very apt to mean the difference between going up the hill or down the drain.

Perhaps one of the greatest weaknesses in the current relationship of agency companies and their agents—and the reverse, is the assumption that the best means of communication are being used and being used efficiently. The truth is that communicating is always a difficult art, and company-agent relations which are based on it are a matter so critical and of such size that they deserve all the attention they can get.

It is a good sign that presently there

is so much communicating being done in the business—even if some of it is reminiscent of a barroom brawl. At least the need of it is obvious. Perhaps if there had been more insistence on communication in prior years when times were calmer and commissions higher, some of the strains, some of the efforts at cross purposes would be easier and better dealt with today.

One indication of the intensity of company-agent strain is that many producers are talking or thinking about forming their own companies—and several have been organized in recent weeks. One reason is that producers want a market. Others want a company of a kind that will enable them to continue to operate as they have in

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Move To Combine Glens Falls And Kansas City F.&M.

Combination Would Have \$190 Million In Assets; Would Broaden Operations

A proposal by Glens Falls to exchange one share of its stock for each share of Kansas City F.&M. has been approved by directors of both companies. The exchange is conditioned upon acceptance by at least 80% of Kansas City F.&M. shareholders and approval by regulatory authorities.

Glens Falls has 1.3 million shares outstanding and Kansas City F.&M. 100,000 shares. On a combined basis the two companies would have an annual premium volume of more than \$100 million and assets of approximately \$190 million.

In a joint statement, George D. Mead, president Glens Falls, and Morton T. Jones, president Kansas City F.&M., said that the operations of the two companies are largely complementary and the affiliation would provide a broad base for further expansion, particularly in the midwest. It is planned that Kansas City F.&M. will continue as a separate operation with headquarters in Kansas City.

The proposed affiliation contemplates full multiple line operations augmented by expanded premium finance facilities and writing of life business through National Life of Canada, a Glens Falls affiliate.

Stockholders of Glens Falls will be asked to authorize 100,000 additional shares which will be issued to Kansas City F.&M. shareholders on the share-for-share exchange. Glens Falls has outstanding 1,300,000 shares of stock held by about 4,800 shareowners; K.C. F.&M. has 100,000 shares in the hands of about 800 stockholders.

Kansas City F.&M. stock has been trading around \$27 in recent days; Glens Falls has been around \$34.

Bell, Whitbeck Are Elected At Ohio Agents Convention

COLUMBUS—More than 750 attended the 63rd annual convention here of Ohio Assn. of Insurance Agents. This was slightly down from previous years. However, sessions were extremely well attended and the number of agents at the final closed business meeting was the largest anyone could remember.

Agents heard Bradford Smith Jr., executive vice-president of North America, announce that very shortly that group will offer a direct billing, continuous policy plan to agents on an optional basis.

Arthur M. O'Connell of Cincinnati, association past president, personally recommended that agents support a bill that will be introduced in the next session of the state legislature to provide for an unsatisfied judgment fund similar to that in New Jersey. Mr. O'Connell said he did not particularly like the UJF but that he likes it better than more damaging alternatives, such as compulsory.

Robert M. Bell of Springfield was elected president and Paul R. Whitbeck of Cleveland vice-president.

Kenneth S. Ogilvie of Farm Underwriters Assn. told a rural agents breakfast that the new farmowners package policy will be available by Jan. 1 or thereabouts.

Among resolutions adopted were those that reaffirmed opposition to federal intervention into state regulation of insurance; continued opposition to compulsory automobile insurance; urged the legislature and governor to give Ohio employers the choice of buying workmen's compensation in private insurers, and opposed unilateral reduction of commissions.

The agents also asked the superintendent to name a committee representing all divisions of the business to present a program for strengthening qualifications for agent licensing; com-

Fireman's Fund Offers Economy HO Plan

Fireman's Fund is marketing a low-cost homeowners program to be underwritten by its subsidiary, Home F.&M. Called "Economy Plus Plans for Preferred Homeowners," the policy is designed for homes in the \$10,000 to \$35,000 bracket.

Agents representing the Fund in Alabama, California, Colorado, Connecticut, Florida, Georgia, Indiana, Maryland, Michigan, Montana, Nebraska, Ohio, Tennessee, Utah, Vermont, Wisconsin, West Virginia, Wyoming and the District of Columbia will receive announcements of the new coverage this month, along with a detailed research report on the market potential. Filings are pending in other states.

Highlights of the plans include:

—The use of existing homeowners forms with modifications.

—Coverages designed solely for qualified risks representing owner occupied, single dwellings in the medium price range, built since 1929, located in adequately protected areas and used exclusively for permanent residential purposes.

—\$50 non-reducing deductible applies to all section I coverages, including fire and lightning, unless the loss is \$500 or more, or unless buy-back provisions are in effect. A \$100 deductible applies to wind and hail losses.

—A substantial savings of up to 15% or more, depending on state, on standard rates.

—Lower agent commission per unit of sales with commensurate reduction in office expenses through the com-

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mended the NAIA Big I program and the companies that are supporting it, and commended NAIA for censuring solicitation of credit card holders for accident insurance.

Further details of the convention and the program features will be reported in next week's issue.

Bureau Rate Suit In Tenn. May Not Be Tried Till Feb.

The petition of National Bureau and National Automobile Underwriters Assn. in the Davidson County, Tenn., circuit court asking that Commissioner Long's disapproval of automobile rate increases be set aside, is returnable Nov. 7. However, the issues in the suit may not be tried until the February term of the court, according to observers.

The petition, filed by J. O. Bass of Nashville, attorney for the bureaus, points out that it long has been recognized in Tennessee and other states that rate-making by individual companies "without regard to broad credible and reliable statistical data as to losses, expenses and other relevant factors" may result in disaster for the smaller companies, and would tend to create a monopoly by larger insurers.

Fair pricing of casualty insurance to the public must recognize past average experience based on a broad body of data. This can be done by accumulating and using the experience of a

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Pays 500,000th Medicare Claim

Mutual Benefit H.&A. has paid its 500,000th Medicare claim for the Defense Department. The company acts as fiscal agent for the Defense Department in 17 states for hospitals and in three states for physicians.

Recipient of the claim was St. Elizabeth's Hospital in Lincoln. The check for \$497.15 was paid to the hospital for care for the three-month old infant of air force Staff Sgt. and Mrs. Carl Bailey. The child, Vivan, was hospitalized for 18 days with pneumonia, pertussis and staph infection.

About three months ago, the company paid another claim for Vivan—\$103.85 for her birth at St. Elizabeth's.



James C. Hullett, president Hartford Fire, addressing civic and business leaders at the traditional "topping out" ceremony marking completion of the basic structure of his company's \$20 million Hartford Building at Chicago. The building, scheduled to be occupied early in 1961, joins several other new insurance structures (America Fore Loyalty group's building can be seen through the scaffolding) that are making an "Insurance Row" out of Wacker Drive.

NAIC Committee Sees No Need For Government Sonic Boom Coverage

By R. R. CUSCADEN

The sonic boom is the sound of security, Lt. Col. Stanley Butt, chief of claims, USAF, told the fire, marine, casualty & surety committee of NAIC in Chicago—but committee members, while agreeing that this was probably so, also were interested in other, more practical aspects of this mid-twentieth century phenomena.

Under the able chairmanship of George F. Mahoney of Maine, and composed at this meeting of Robert W. Strain of Texas and Gilbert Hart of Wyoming, the committee was holding a special hearing prior to the December meeting. The attendance was somewhat on the light side, but those present outweighed numerical considerations by representing almost every important segment of the industry concerned with the sonic boom problem.

Items On Agenda

Among the items on the committee's agenda were the demands, if any, from the public for insurance to cover damage as the result of sonic boom; the advisability of inclusion in property insurance policies of a specific exclusion of such damage; the availability at present of insurance coverage for losses resulting from sonic boom; the plans of the industry, if any, to make it available for general purchase; the correct procedure for property owners to follow at the present time in submitting claims to those responsible for the operation of aircraft causing damage by sonic boom, and the need

for government-sponsored insurance if commercial coverage is not to be made available.

Mr. Mahoney said National Assn. of Insurance Brokers had requested such a meeting and asked C. J. Bassler Jr., immediate past president Insurance Brokers' Assn. of Illinois, if he had a statement for the committee. Mr. Bassler said his organization was looking for a definite industry stand on whether or not companies were going to write sonic boom coverage.

Mr. Mahoney asked Mr. Bassler if any of his brokers had had sonic boom claims turned down and was told that some had; others, however, had had such claims paid.

Jarl T. Sorensen, manager research and development department of Inter-Regional Insurance Conference, said demand for this coverage was "spotty" and generally occurred only after an area had been hit.

Mr. Sorensen said his organization was planning a special extended cov-

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North America Wins Award For 1959 Annual Report

The 1959 annual report of North America was judged a top winner in the financial classification of the annual contest conducted by Direct Mail Advertising Assn. Frank K. Middleton, sales promotion manager of North America, accepted the award for the company at the association's annual meeting in Miami Beach.

Industry Has Shown Record Growth Under Rate Laws: Gerber

In his paper delivered at the Symposium on Government & Insurance sponsored by the University of Wisconsin, Director Joseph S. Gerber of Illinois surveyed the insurance scene from the viewpoint of a state regulator. He observed that from the year the all-industry rating laws were enacted the industry had the opportunity to challenge them or to propose amendments.

"What is the record?" he asked. "The record proves conclusively that the industry took no such action, that in spite of the fact that the National Assn. of Insurance Commissioners was a properly constituted vehicle and organ before whom opinions and views could be aired, there were no definite and positive demands for review and study. True, there were occasional complaints about the failure to approve a rate increase or the action on the part of a regulatory agency to question a deviation or independent filing, (but) there was no expression for positive action to be taken to amend the rating laws or that the rating laws in fact were acting as a deterrent to competition in the fire and casualty insurance business."

Mr. Gerber said he is not so naive as to believe this absence of a request for change was caused by the fear of the industry of the reaction by the states. Instead, he said he is inclined to the belief that the industry failed to request action "because it was unsure of what changes should in fact be

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Md. Agents Elect Gorges President To Succeed Dallas

Agents Hear Analysis Of Facilities Available Through London Lloyd's

Maryland Assn. of Insurance Agents at its annual meeting in Baltimore elected James H. Gorges, Baltimore, president to succeed George M. Dallas, Salisbury, who moves up to chairman. Other officers named are William F. Burkley, Elkton, executive vice-president; Morris D. Bassford, Hagerstown, state national director; F. Addison Fowler, Baltimore, secretary, and Glenn A. Main Jr., Frederick, treasurer. Robert C. Bock was renamed executive secretary-treasurer.

A highlight of the meeting was a talk by W. D. Salladin, vice-president London Facilities, Baltimore, on coverages not readily placed in the American market but available through Lloyd's.

Can Use Two Methods

Mr. Salladin noted that problems submitted to his agency can be handled by two methods—by contract placing or in the open market. Most of the correspondents to whom agents submit business have certain contract facilities. The most common are fire, excess liability, auto PHD and malpractice. The use of these contracts is at the discretion of the contract holder within limits prescribed by the contract, and he may bind coverage without submission to underwriters.

There is only a limited flat liability market in London today, either at Lloyd's or with the British companies, except in specialized classes. The burglary and robbery market is also extremely limited. There have been cycles in every class in the U. S. market, and the London market goes through the same cycles.

Extremely high fire limits are available following strong domestic warranties at board rates, he continued. The minimum warranty for board rate is generally \$10,000. Most contracts held by American correspondents re-

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Union Bid For Chicago Adjusters At An Impasse

The attempt of a Chicago union to hold a secret ballot at American group's office there in hopes of unionizing company staff adjusters is still awaiting approval by the National Labor Relations Board.

Allied Service, a division of Local 66 (Building Service Employees International Union), filed the petition with NLRB last April. It is understood that the reason for NLRB's delay is an impasse as to which adjusters will be balloted—with one side wanting only outside men to participate and the other side desiring to include inside men as well.

Insurance Federation of New York is inviting to its annual luncheon at the Waldorf-Astoria on Nov. 30 the five winners of its current essay contest. They will be presented with their awards at the luncheon.

Corroon & Reynolds Companies To Merge

Directors of American Equitable and Merchants & Manufacturers have recommended a merger of the companies. Both insurers are under the management of Corroon & Reynolds.

The merger plan is subject to the approval of stockholders and the New York superintendent of insurance. Stockholders of record on Oct. 17 will vote on the proposed merger at a special meeting of both companies on Nov. 21. The merger would become effective Dec. 31.

American Equitable Survivor

American Equitable will be the surviving company and will have a capital of \$2 million, consisting of 800,000 shares of \$2.50 par stock. Stockholders of the present American Equitable will receive 2.1 shares of new stock for each old share. Stockholders of Merchants & Manufacturers will receive 0.72 of a share of new stock for each old share.

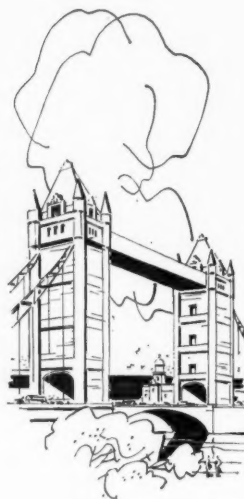
As a result of the merger, the combined assets of the surviving American Equitable would approximate \$51 million, with policyholders surplus exceeding \$26 million.

Distillers Gives Insured Fire Prevention Tips

All distilleries covered by Distillers Inc. Co. of Louisville had fire prevention programs conducted at their distilleries by the company in connection with Fire Prevention Week. The program included movies, demonstrations and discussions, with Morton E. Luber and Arthur H. Deters Jr. of American Risk Management in charge of the program.

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Donna Loss Set At About \$85 Million By National Board

The disaster committee of National Board has reported that a recently completed survey indicates that estimated insured losses on fixed property resulting from hurricane Donna will exclude automobile and marine claims probably reach \$85 million. This figure which were included in other larger estimates of losses. The disaster committee reports that Donna probably will produce 307,000 claims.

More than 1,250 adjusters—bureau, independent and staff, representing all property insurance interests—are concentrating on Donna property losses. At the end of the first month of adjusting work, 65% of all losses reported had been inspected by adjusters; of this amount, approximately one-half the adjustments have been completed.

As the adjusting work is progressing, adjusting staffs are being shifted to meet the needs of the various sections of the disaster area. In certain sections, as high as 90% of all reported losses have been inspected and are in process of adjustment.

New N. Y. Brokerage Firm

Frank B. Hall & Co. and Farmer & Ochs of New York have formed a new brokerage owned jointly by the two organizations. The new firm is Farmer & Ochs—Frank B. Hall & Co. Henry Farmer will be chairman and William T. Dunn president.

The staff of Farmer & Ochs will be integrated with the personnel of Frank B. Hall & Co. about Jan. 1.

London Insurer Seeks To Acquire Union Of Canton

Guardian Assurance of London has made a bid to acquire Union of Canton, according to reports from London. The offer is said to involve \$33 million.

Union of Canton, managed in the U. S. by W. J. Roberts & Co., has headquarters in Hong Kong where it was founded 125 years ago. The company entered the U.S. in 1917 and is licensed in all states except Montana and the Dakotas. Last year it wrote premiums of \$2,681,087. Policyholders surplus at Dec. 31, 1959, was \$3,743,392 and assets were \$6,911,175. The latter figure was down from \$9,145,618 at the end of 1958.

Guardian Assurance, with reputed assets of \$425 million, is entered in Canada but not in the U.S. The takeover bid for Union of Canton will be made by alternative offers to the latter's stockholders, according to London reports.

Pritchard Opens Own Agency At Atlanta

William G. Pritchard Jr., for the past six years superintendent of Aetna Casualty's agency department at Atlanta, has opened his own multiple line agency in the 10 Pryor Street Building, Atlanta. In addition to handling all lines, Mr. Pritchard will offer survey, risk analysis and insurance management services.

Mr. Pritchard joined Aetna Casualty in 1949 and was field representative in North Carolina until his appointment as agency department superintendent at Atlanta.

Texas Insurance Women Elect, Hear Talk On Their Influence On Insurance Marketing

Federation of Insurance Women of Texas held its annual meeting in El Paso, which draw nearly 250 persons representing 21 of the 26 clubs in the organization.

Mrs. Glenn Epstein of Houston, Cravens, Dargan & Co., was elected president; Mrs. Wanda J. Dannelly, Dallas, Wilhite agency, 1st vice-president; Byrtis A. Brinkley, Baytown, Brinkley agency, 2nd vice-president; Miss Jane Cyva, Houston, Yanch agency, corresponding secretary; Christine Clark, El Paso, Fireman's Fund, recording secretary, and Elenora Woolsey, Amarillo, Ricks-Maguire Co., treasurer.

J. J. Wilson, Dallas, Fireman's Fund, guest speaker, discussed the influence of women in the market place, noting that their influence has ever been influential in product changes. While he did not attribute all of the changes in the insurance business to women, he said: "I am convinced, however, changes and new products are not as earth-shattering to you as they are to many male members in our industry."

"The American buyer is the person paying for our product and we must

meet the challenge to offer our product with better understanding of the human behavior which is being applied to the problem of marketing," he continued. This is done professionally and expertly in the real product field but not so much in the intangible field of insurance.

"Too often, I believe, we have offered products that we in the industry thought to be what the buyer should want, and have given little thought to what the real desires of the buyer were. No longer is the American buyer uneducated concerning our product and the services it requires."

The speaker told his listeners that their influence on insurance is vital, not only in the area of what is to be sold, but how it is to be sold. He also noted that while marketing and electronics may not be compatible, if insurance can be marketed at a lower cost to the buyer and still give a profit to the manufacturer and the seller, it must be considered.

"To me," said Mr. Wilson, "one of the greatest areas in which you can use your influence in the market place is in selling our products." The insurance marketing system is built on the selling efforts of "our fathers and grandfathers and has become the greatest system of distributing an intangible product ever devised. We, however, apparently are now ashamed to be salesmen."

Salesman A Naughty Word

"We are now consultants, advisors, proud to emphasize service, service and more service until actually salesmanship is a naughty word," he declared. The consumer is too well educated to be greatly influenced by high pressure salesmanship tactics today, and well he may be. But service, if it is not coupled with some honest effort to persuade people to buy, is bound to be slow and sluggish as a stimulant to sales.

It is a paradox that the cause of this unfortunate non-selling situation is the very advance which has been made in the art of selling and marketing," Mr. Wilson noted. "More and more companies, including the insurance industry, are using packaging as a sales device. Artistic skill has been coupled with consumer research to produce policies that explain themselves—or do they? Visual aids that make the sale—or do they?"

He said he was not advocating high pressure selling, since there is really

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Baltimore Agents Buck New Binder Rules

Assn. of Insurance Underwriters of Baltimore at its October meeting opposed the binder rule changes proposed by Inter-Regional Insurance Conference designed to prevent free insurance. The changes were recently adopted in the District of Columbia.

The recommended rules provide that binders must be issued for a specified period, not to exceed 30 days, and that they must be filed for auditing with the local rating bureau which can renew the binder for another 30 days for satisfactory reasons. Published rates must be used in binding a risk, or the agent must apply to the bureau for a rate where none is published.

Coverage under a binder can be terminated only in accordance with the following rules.

1. By issuing a policy with the same effective date as the binder. Such policies are not subject to flat cancellation, and when the binder is replaced by a policy, the daily report copy sent to the local bureau must so indicate.

2. When the binder is terminated or cancelled without issuance of a policy, the full earned premium must be charged under the same rules governing policy cancellation.

However, binders issued for 15 days or less may be cancelled flat as not taken, provided the cancelled binder is received by the local bureau before its expiration date. In addition, binders issued for more than 30 days may be cancelled flat as not taken, provided the cancelled binder is received by the bureau within 15 days of effective date.

The Baltimore agents contend that no third party, such as a rating bureau, should intervene in correcting any alleged abuses that a company believes its agents are practicing. Problems regarding free insurance should be cleared up within the framework of the agency contract, the agents maintain. They are urging the Maryland association to oppose the rule.

Inter-Regional has pointed out that the rules have been in effect for some time in Wisconsin and Kentucky.

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No Changes In Tex. Safe Driver Plan, But Rates May Go Up

By a 2-1 vote, the Texas Board of Insurance held the line on the safe driving plan by refusing to take out most of the minor moving traffic violations as a basis for penalties for drivers. Chairman Penn J. Jackson was voted down repeatedly as he attempted to liberalize the plan. Members Robert W. Strain and Ned Price joined to make the 2-1 majority.

The majority voted to make the revised plan effective Jan. 1, but it put off a decision on rates. Indications are that an increase in the neighborhood of 13% will be required to bring the plan into balance, since far more earned the maximum 20% discount than had been anticipated.

Mr. Strain's motion, which was adopted, called for keeping these moving traffic convictions as bases for penalty points: Speeding, running red light, speed contest, running stop signs, running flashing red lights, illegal passing, improper turns left, right or "U", negligent collision, careless collision, reckless driving, careless driving, violation of driver license restrictions or failure to have a valid driver license.

The motion by Mr. Strain was substantially the proposal made by the Texas Auto Insurance Service Office at the hearing in September. That group of companies felt that elimination of minor moving traffic violations would throw the plan still further out of balance and make it impossible to continue the 20% discount for the non-convicted drivers.

Mr. Jackson moved as an amendment that no points be assessed for

minor moving traffic law violations unless accident was involved. This was tabled, 2-1, then the original motion was adopted by the same vote.

Mr. Jackson then moved to abolish the safe driving plan and go back to the old plan of auto rate-making, but setting up rules under which companies would be allowed to file optional merit rating plans, and drivers would be allowed to buy them if they prefer and have the advantage of greater discounts from a measure of regulated price competition. This motion also failed, 1-2.

Mr. Jackson made still one more try, and it was left pending while the staff studies its effect. It would provide that an insurer would not assess points for accidents if it learns from written evidence that the accident was not due to negligence or carelessness on the part of the driver and if no claim for liability has been paid or made against the driver or car owner.

Mr. Jackson's "least liberalizing" amendment would have raised from \$25 to \$50 the minimum amount of damage in an accident to make it penalty material. Both his colleagues opposed it.

Line Up Speakers For Cal. A&S General Agents Meet

More than 150 members of Assn. of Sickness & Accident General Agents & Managers of California are expected to attend the organization's convention and sales congress Oct. 28 at San Francisco.

Talks will be given by B. F. Swindell Jr. of the California department, who will talk on "Policy Service;" J. J. Allen, secretary to Mayor Christopher of San Francisco; George F. McDonnell, Continental Casualty, on "Health Care for the Aged—A Solution Looking for a Problem;" Harry A. Anderson, Association Group Insurance Administrator, on "Association and Franchise Coverages," and Edward O. Scharetz, Fireman's Fund, on "Does It Pay to Advertise?"

Tells A&S Sales Method

Dale Creech, Midwest Life, Gilton, Neb., addressing Nebraska Assn. of Health Underwriters, told his audience how he has written \$1½ million of A&S business in less than five years. He said the best prospects for health insurance are found right in the newspaper. "There's scarcely a person who enters or is released from a hospital who's got the kind of protection he wanted. The names of these people are published in nearly every newspaper. And the papers that don't make a regular list at least come close to it with their reporting of accidents."

Mr. Creech, who works in small rural communities, the largest being 1,300, also has in force more than \$1 million of life insurance.

AFIA Names Morris In Trinidad

American Foreign Insurance Assn. has appointed Arthur J. Morris, formerly superintendent of the London casualty department, manager at Port of Spain, Trinidad. Mr. Morris joined AFIA in London in 1954.

Dallas-Houston Phone Book

The Dallas-Houston Insurance Telephone Directory has been published by the National Underwriter Co. In it are the names, addresses and telephone numbers of persons active in insurance in these two cities. Copies may be obtained for \$1 each from the National Underwriter Co., 420 East Fourth St., Cincinnati 2, Ohio.

State Farm, Nationwide Tell Their Experience In Substandard Auto

The experience of two direct writers in the field of substandard automobile insurance written in affiliated companies was told to members of Conference of Mutual Casualty Companies attending the sales and agency conference last week in Chicago. President E. B. Rust of State Farm Mutual Auto and Richard G. Chilcott, vice-president in charge of operations of Nationwide General, the affiliate of Nationwide Mutual, were the speakers.

The experiments of these two companies mark a significant departure in the auto insurance business. Nationwide is using a merit plan under which it takes risks at from 20% under its normal rates, up to 560% above, while State Farm has a flat surcharge for clean risks that would normally go into the assigned risk plan because the driver is either too young or too old. The companies feel they are on the way to making a significant contribution to the solution of the as-

signed risk problem; but there are corollary benefits to the companies and their agency forces because the facility for substandard auto allows the one-company agent to retain business or add to his marketing capacity. Instead of being in danger of losing an entire account because one member of a family doesn't qualify for the normal underwriting treatment, the agent can place the business. He does not endanger his contract with his company by trying to broker the line somewhere else. By having representation of two companies for one line of business, he takes on a little bit of the nature of the agency system operation.

Mr. Rust said there is a large market of this type of business, the extent depending upon what portion of normally unacceptable insured a company is willing to take. State Farm's intention is to take people who are in between the usual qualifying risk and the typical assigned risk candi-

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Yours truly,
Mister Worcester

Hendon Chubb Leaves Indelible Impress

Hendon Chubb, who died recently at the age of 86, left an indelible impress on the insurance business and notably on the Chubb & Son organization, with the formation and character of which he had so much to do.

In span of career alone, his performance was remarkable. He began in 1895 with the marine underwriting organization founded by his father and uncle, and continued in an active capacity until last year. Even this year he was frequently at the office.

Enjoyed Designation

He attended the 1960 dinner of the 25-year organization of the Chubb & Son group, and put on one of the large name badges which are traditional at these affairs. His own badge read simply, "The Boss." With the keen sense of humor that characterized him throughout his lifetime, he enjoyed the designation. As at so many other anniversaries of the organization, he gave a short talk, full of wit and warmth, that won a standing ovation.

His relationship with associates in

the firm reflected this wit and warmth combined with a firm insistence upon the right answer. All of those who worked with him at Chubb & Son were in a sense "associates." There was very little of the ordinary "employee-employer" attitudes. Which tends to explain the esprit that has characterized the atmosphere of Chubb offices—everyone seems to be happy to be on hand and participating in the venture.

Many Activities Unknown

Many of Mr. Chubb's activities were relatively unknown to the public during his lifetime and not always even to those associated with him in the Chubb organization. He was a wealthy man but a very generous one. His charity was especially notable with children and in the area of college scholarships for young men qualified in all respects for higher education except for money. One of his most interesting gifts was the establishment of a fund at Yale to take national and world figures to the campus once a year for discussions with students. The first

to go as a result of the fund was former President Harry S. Truman.

Mr. Chubb started out being an underwriter, he was an underwriter for a great many years, and even in later years when the press of administrative and other non-underwriting duties pressed upon him he often made final underwriting decisions on tough borderline cases. He is credited with having observed, years ago, that a good underwriter is right 55% of the time but that a Chubb underwriter is right 65% of the time. But if his standards were high for a risk, and they were, he was always looking for business.

For example, in 1901, a broker went to the firm to discuss some business. As he was leaving, Mr. Chubb asked if he had anything else to offer.

Only automobile, the broker replied, and "you don't write them."

"As of now we do," Mr. Chubb replied. The coverage was for fire and theft and the rate was 2%. The contract was a rider attached to a marine policy. By 1906 the firm had a separate automobile department. That year Chubb & Son was one of the prime movers in setting up the first Automobile Underwriters Conference.

Cotton Underwriter

The Chubb organization in the early days was a heavy underwriter of cotton, on which the experience became very bad. Instead of getting out, the Chubbs and others led a movement to establish the first cotton reinsurance pool. Hendon Chubb was appointed chairman of the conflagration committee and the problem was tackled of reducing dangerous fire concentrations at Galveston and other southern ports.

The principle which Mr. Chubb appears to have followed, of looking at the risks that came to his attention as individual risks to be judged by their individual characteristics as well as by their kind, is one that seems still to prevail. The success of the organization and the companies that it owns and manages evidences the care with which each risk is undertaken. Executives at Chubb & Son continue to be underwriters long after their rise in the ranks. This principle might be said to extend also to personnel. Regarding people as individuals rather than as members of a group—employees, say, or clerks, or field men—undoubtedly has had its effect on the concern every member of the organization appears to feel in the successful outcome of every activity it undertakes.

Mr. Chubb was also an exemplar of the other characteristic of a good underwriter—he was on alert always for risks to underwrite. Over the years, in war and out, his efforts and those of the growing staff around him, were to find ways to write the business, to write more business, and to write more kinds of business. The organization has been in the forefront of many developments and out in front with some.

A keen student of this business has observed that good management tends to perpetuate itself. This is chiefly because men who do a good job tend to attract other men of similar quality and character. It is also in part the development, maintenance and exercise of standards. The consistent success of the Chubb organization over so many years is testimony to a man of high standards, ability, and character who attracted other men of similar qualities into the venture with him. With his long career and his association at so many times of crisis in and out of the insurance business, Hendon Chubb also has left an indelible impression on the business to which he contributed so much.

Moloney Succeeds Beebe In West For Hartford Fire

Hartford Fire has named William H. Moloney western department manager to succeed the late Philip S. Beebe.

With Hartford Fire at Chicago since 1946, Mr. Moloney was a marine special agent before his 1947 appointment as assistant superintendent of the marine department. In 1952 he was promoted to superintendent of that unit and in 1956 he was elevated to assistant manager of the western department.

W. Melvin Timmons has been named manager of the live stock transit department in the first step toward the consolidation of the live stock mortality and the live stock transit departments in Chicago. He succeeds Edward J. Hammer Jr., retired. Mr. Timmons joined the company in 1929. He became a special agent for Hartford Live Stock in 1935 and in 1947 was promoted to assistant manager. In 1948 Mr. Timmons was named co-manager with Carl J. Froebel of Hartford Live Stock. Mr. Timmons and Mr. Froebel will continue as co-managers.

New Sanborn Map Series Aid To Insurer Marketing

Sanborn Map Co. has published a new map series, pinpointing relative neighborhood buying power within recognized metropolitan areas.

The new buying power map series was developed in cooperation with Sales Management magazine and its affiliate, Market Statistics, and is based in part on 1960 statistics compiled by the latter organization, coordinated with data obtained for the detailed Sanborn fire insurance map. Buying power map units of 14 metropolitan areas are now available, with maps for an additional 36 cities scheduled for completion within the next six months. These 50 cities include 47% of the total number of households in the nation with an estimated 53% of the total net effective buying power.

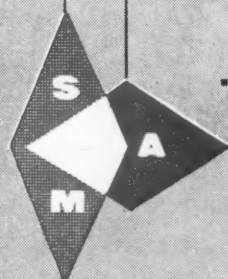
Designed as an aid to market research, sales force planning and prospecting, the map uses five different colors to portray residential areas, according to five different classes of income per household. Each map unit, consisting of a 17 by 22 inch map sheet, at the scale of one inch to 4,000 feet, covers an area of 13 by 15 miles. Depending on the size of the metropolitan area, one or more units are required to cover a city.

A sample buying power map and details on the series can be obtained from the information division of Sanborn Map Co., 629 Fifth Avenue, Pelham, N. Y.

CPCUs Elect At Dayton

Dayton-Miami Valley (O.) CPCU chapter, has elected Charles D. Lamb of Meiler-Lamb-Leo Insurance agency, Dayton, president; William G. Reed, Piqua, vice-president; James B. Abbey, Dayton, secretary, and John M. Smith, Wilmington, treasurer. Henry Duke, Cumberland, Md., will be the principal speaker at the annual insurance all-industry dinner Nov. 15 in the Biltmore Hotel, Dayton.

District of Columbia Assn. of Insurance Agents is the first group at the state level to pledge 100% of its basic minimum allocation for the 1961 Big I ad program of NAIA.



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The All Lines Insurer, Variable Annuity, And Trust Combination

By BRUNO SHAW
Public Relations Consultant
New York

The business of insurance is so paradoxical in nature that if Lewis Carroll had ever become involved in it instead of choosing to follow a considerably more serene career in the ministry, he might well have had the March Hare, or at least the Hatter, comment suitably on it.

In England, the most government controlled economy of all the free nations, the insurance industry is almost wholly unfettered by government regulation. In the United States, which prides itself on being every bit as much the home of free enterprise as it does on being the home of the free and the brave, insurance is government regulated down to the ultimate mote.

It was quite in the tradition of each of these countries, therefore, that when the variable annuity was introduced in Britain many years ago, it met with acclaim. And that when it knocked on the door of the insurance market in the U.S., the majority of insurance companies rejected it out of hand, and it had to fight its way up to the U. S. Supreme Court before it was allowed to enter, and then only with SEC brakes imposed upon it.

Actually, the variable annuity was first proposed in the United States as long ago as 1936, but at that time it was viewed generally as an exercise in insurance semantics rather than as a reasonable means of providing a stable income for the annuitant in his later years.

Guarantees Nothing

In a 5 to 4 decision making variable annuity contracts, and the companies that write them, subject to the federal securities laws, the Supreme Court, in March 1959, made this comment: "It (the variable annuity) guarantees nothing to the annuitant except an interest in a portfolio of common stocks or other equities—an interest that has a ceiling but no floor. There is no true underwriting of risks, the one earmark of insurance as it has commonly been conceived of in popular understanding and usage."

In delivering the court's opinion, Justice William O. Douglas held that "In hard reality, the issuer of a variable annuity that has no element of a fixed return, assumes no true risk in the insurance sense," and that "the variable annuity places all the investment risk on the annuitant, none on the company."

The court ruled, therefore, that variable annuity insurances are to be subject to supervision by Securities & Exchange Commission.

How It Works In London

Now, let us see what happened in London when an endowment variable insurance policy, based on the variable annuity principle, was launched there a little less than three years ago. It was not suddenly invented by any one man, but was, rather, the end result of much exchange of ideas in the insurance market place over a long period of years. It was brought into being, however, by George J. Stewart, president of the Stewart, Smith companies in the United States, Canada, and England, and chairman of London

& Edinburgh Ins. Co., an all lines insurer including life, and of Unicorn Trust, the last two constituting the keystones of the plan.

Unicorn Trust is an open end mutual fund. The idea prevalent in the

U.S. that mutual funds are an American discovery is about as valid as the notion held by Ivan Ivanovich that everything useful from a needle to a locomotive was invented in Mother Russia. The first open end fund was

created in Scotland in the 1870s.

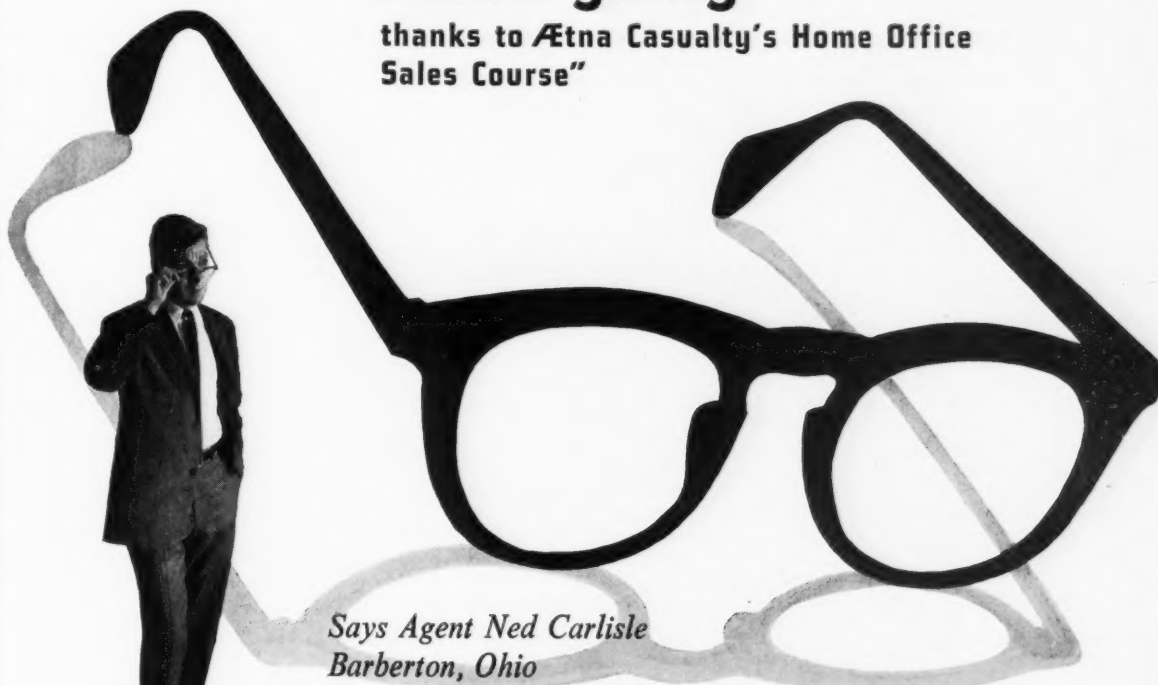
In Britain open end funds are known as unit trusts. They became popular there in 1931, and by 1939, when World War II broke out, about \$350 million of public money was already invested in them. Post-war problems brought about a recession in this field of investment, and it was not until October, 1957, that the first new and independently managed British unit trust in 20 years was formed.

This was Unicorn Trust. Its investment objectives are long term capital

(CONTINUED ON PAGE 32)

"Suddenly I saw where I was going

thanks to Aetna Casualty's Home Office Sales Course"



Says Agent Ned Carlisle
Barberton, Ohio

"In my case the Aetna Casualty Sales Course accomplished the almost impossible task of making an insurance agent out of a lawnmower salesman. Although I had some previous experience in salesmanship, I never realized the detailed knowledge required to sell insurance. During the first two weeks of the Sales Course, confusion was my constant companion. With hard work and expert instruction, however, I began to see the over-all picture more clearly. After completing the course I suddenly realized that I had really learned how to sell insurance. That gave me the self-confidence I needed."

"Now, when I talk to the people in Barberton about insurance, they think they're talking to an 'old pro.' Even if I don't have the answers at my fingertips I know where they can be found."

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Auto Merit Plans Successful, Are Popular With Agents, Public, Mutual Companies Told

Early results of merit and safe driver plans, including the response from the public, agents and the companies, were reported by Robert C. Dauer, assistant editor Fire, Casualty & Surety Bulletins, at the sales and agency meeting of Conference of Mutual Casualty Companies at Chicago. After his review of the facts, Mr. Dauer's concluding impression was that merit plans were doing the job they were intended to do and that the program has been generally successful.

All Approaches Similar

Of the more than 220 companies using some form of the merit plan, all have approaches which are similar in one or two respects: The plans evaluate driving experience in terms of claims or accidents only and some include moving traffic violations as a gauge to the probability of future accidents.

Mr. Dauer said he believes the Connecticut-type plan, which assigns points for only those moving violations requiring a financial responsibility filing, will be the prototype of future safe driver plans filed by the National Bureau. The procedural advantages of a plan which considers only convictions requiring financial responsibility filings are obvious, he said. In most states these records are much more readily available. Another feature of the Connecticut plan is that there is no sub-classification calling for a payment of a basic rate; hence, every risk is either discounted or surcharged.

When the Texas plan was introduced it was estimated that 57.1% of risks going into the plan would be discounted 20%. Actual experience, however, proved these estimates to be incorrect, and for the second quarter of this year for bodily injury liability,

65.5% of the risks qualifying received a 20% credit. Only .6% fell into the 80 and 100% surcharged classifications. Consequently there has been a substantial off-balance in premium. Too many applicants are receiving credits, and therefore premiums developed from surcharges are falling far short of balancing the credits allowed under the Texas plan. He ascribed the small number of surcharge risks to cheating pressure by producers on their companies to disguise bad business, and to poor risks, which would normally fall into the heavily surcharged classifications who are going without insurance rather than paying the substantial penalties.

Many motorists subject to surcharges, he said, are shopping around for coverage in companies which have not installed merit plans. This means that these companies without merit plans will be taking on poorer risks and will be paying for it in the long run with poorer loss ratios.

Drivers Are Impressed

There is an indication that the merit plan is partly responsible for the lower accident frequency in Texas for the first six months of this year over the same period in 1959. Addition of points for convictions, particularly, has impressed drivers on the importance of safety. Claim frequency was down sharply from 1959 but the average paid claim cost in Texas has risen. "I suspect that this means that there are fewer small claims being reported," he remarked.

Mr. Dauer said that it was his impression that results have been good. "Presumably, this is due to the fact that most of the business written under these plans has been business to

(CONTINUED ON PAGE 47)

I. G. Saltmarsh Marks 50th Year With Ind. Lumbermens Mutual

I. G. Saltmarsh, chairman Indiana Lumbermens Mutual, was honored with



I. G. Saltmarsh

a luncheon on the occasion of his 50th anniversary with the company. Gold E. Beall, president, presented Mr. Saltmarsh with a bronze-on-walnut plaque inscribed, "This plaque is presented to Ira G. Saltmarsh by his associates in appreciation of his loyal service."

Mr. Saltmarsh started with Indiana Lumbermens Mutual in the production end of the business. He advanced to field supervisor, assistant secretary, secretary, president and manager (1943), and chairman (1960).

A three-inch desk medallion replica of the sculpture of Mr. Saltmarsh has been distributed to his many business associates.

Mr. Saltmarsh resigned this year as treasurer of National Assn. of Mutual Insurance Companies after having served in that position for many years. He is one of the most readily identifiable figures in the insurance field—for years his sartorial trademark has been the old fashioned high stiff shirt collar.

Torrey In NFPA Post

Theodore Torrey Jr. has been named to the staff of National Fire Protection Assn. as engineer of the fire record department. Mr. Torrey has been for the past five years in the engineering department of Arkwright Mutual. Before that he was in inspection work for three years in New England for the Factory Mutual engineering division.

Prepare Program For AMA Fall Insurance Parley

A five-man panel discussion of industry's role in medical care programs for the retired employe will be a highlight of the fall insurance conference of American Management Assn. Nov. 9-11 at Chicago.

Representatives of the AFL-CIO, company management, American Medical Assn., insurance and Blue Cross will discuss what should be done legislatively and voluntarily for retired employes.

Participants in the panel will be: Leonard W. Martin, American Medical Assn.; Morton D. Miller, Equitable Society; Jerome Pollak, AFL-CIO; E. D. Starkweather, North American Aviation, and James E. Stuart, Blue Cross Assn.

For the first time at an AMA insurance conference, a representative of a municipal fire department will tell registrants how cooperation between industry and local fire departments can reduce fire losses. Speaker will be Frank P. Reilly, Chicago Fire Department.

Explains Court Decisions

Recent court decisions in product liability claims will be explained by William J. Condon, Swift & Co. The impact of compensation rehabilitation progress will be explored by Scott W. Allan, Liberty Mutual.

Other topics to be covered include: current facts on marine cargo risks, crime insurance, the board and stockholders' view of insurance protection, what happened to the umbrella, opportunities for insurance managers, exporting loss control know-how, allocating insurance costs, and automobile leases.

Speakers include: John L. Doran, Frank B. Hall & Co.; George McEwen, Despard & Co.; Peter Chiuminatto, Charmin Paper Products Co.; Thomas J. Byrne, Byrne, Byrne & Co.; Raymond Brady, Chase Manhattan Bank; Baxter Gentry, Johnson & Higgins; Richard Prouty, Norton Co.; Frank A. O'Shaughnessy, Container Corp., and Neill Crowley, American Cyanamid Co.

Insurers At AEC Meet On Nuclear Reactor Indemnity

Insurance representatives attended an informal conference in Washington called by Atomic Energy Commission which is reevaluating nuclear reactor indemnity requirements.

Those attending were Derooy C. Thomas, Nuclear Energy Liability Assn.; H. A. Lansman, Lumbermens Mutual Casualty, and Hubert W. Yount, Liberty Mutual, both representing Mutual Atomic Energy Liability Insurance Underwriters; William O. Bailey, Aetna Casualty; Richard H. Butler, Travelers, and H. V. Williams, Hartford Accident.

Last January, insurer representatives urged greater coverage for smaller reactors and suggested that under the AEC proposals government funds would be too widely used in areas where private insurers are ready to perform.

Le Monnier In New Chicago Post

George Le Monnier, formerly vice-president of Geo. W. Roberts & Son agency, Chicago, has joined American Insurance Agency there as manager of the casualty department.

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Cleveland Board Mutual Rule Reduced Sales Opportunities Of Agency Mutuals, Court Finds

The 18 page decision of District Judge McNamee in the Cleveland board case reviews the whole of this action, which began in 1951. The only one of the 11 alleged violations of anti-trust laws charged by the government to go to trial was the board's mutual rule. This rule was found to be a violation of the Sherman act, although the

judge conceded it "was not shown that mutual agents, stock agents or mixed agents were injured in any way. . . . Nor was there any evidence of damage sustained by any mutual company." But, the court decided, "It must be held that the group refusal to deal, implicit in the mutual rule, constitutes an unreasonable restraint of trade—

that it interferes with the natural flow of commerce and is injurious to the public."

In its original complaint the government alleged that the board conspired with its trustees, officers and members to restrain and monopolize commerce in the business of selling and writing fire insurance in Cuyahoga County,

Ohio. It was the government's position that the conspiracy was evidenced by the operation and enforcement of six rules—the in-or-out rule; the reciprocity or non-intercourse rule; the non-deviation rule; the direct writer rule; the rule relating to policy writing and recording services by insurance companies, and the mutual rule.

Both parties filed motions for summary judgment. The court held that the issues involving the legality of the in-or-out rule and the reciprocity rule were moot, the rules having been abandoned in 1953. The claim of the government as to the illegality of the non-deviation rule was dismissed without prejudice. The direct writer rule was held invalid and the government's motion for summary judgment as to such rule was granted. Motions for summary judgment of both parties were overruled as to the rule relating to policy writing and recording services and the mutual rule. Jurisdiction was retained for a determination on the merits of the legality of both rules. The government indicated it did not desire to press its claim on the policy writing and recording service rule. Thus the sole question remaining for determination was whether the mutual rule was a violation of the Sherman act.

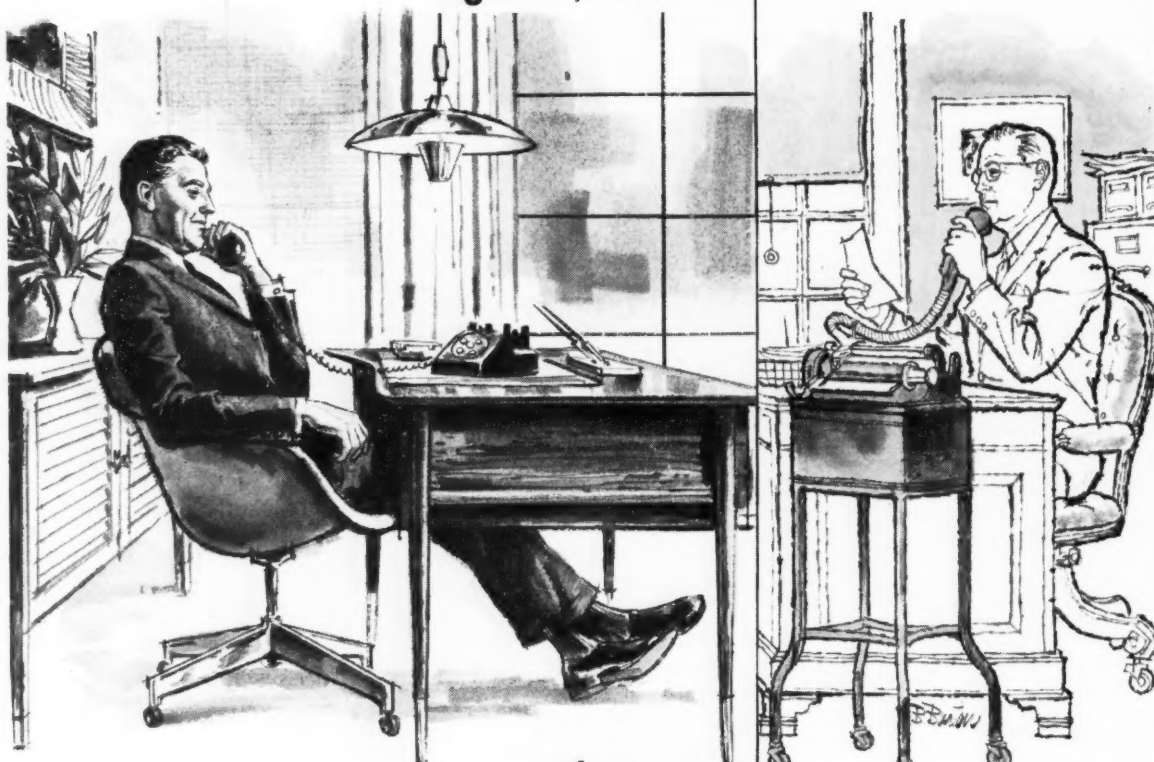
Calls Rule Illegal

At the hearing on the motions for summary judgment it was the government's contention that the mutual rule constituted an agreement to boycott and as such was illegal per se. The board conceded that in effect the rule was a concerted refusal to deal but argued that the rule of reason ought to be applied to determine whether the rule imposed an unreasonable restraint of trade. The board sought to justify the rule on the ground, that few, if any, mutual companies protected the expiration rights of agents. It was shown at the trial, however, the court noted, that a substantial number of mutual companies deal exclusively through independent agencies whose expiration rights are protected by contract. In the light of such evidence the board abandoned this argument at the trial.

At the hearing the board also advanced the argument, then unchallenged by the government, that some mutual policies designated as non-assessable might in certain circumstances be held to be assessable. The government later took issue with this contention. This question has never been decided in Ohio nor has any competent administrative authority of the state expressed an opinion on the subject the court observed. As suggested by the board, it is possible that an

(CONTINUED ON PAGE 34)

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great, but...



when are
you going
to finish?

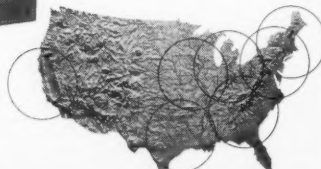
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Committee Work Is Major Expense; Companies Should Probe Subject

By JOHN N. COSGROVE

A major part of the time of many insurance executives is devoted to committee meetings. Indeed, the typical executive is probably a committee man for almost as long as he is occupied with his duties of underwriting, pro-

duction, claims, investment, or whatever his technical specialty happens to be. Furthermore, the executive is not only involved in committee work within his own company but he often serves on conference groups with competitors. (The latter type of get-together will probably be less frequent

as mounting competition demands more homework by the individual insurer of official.)

Whether the time spent in individual company committee meetings is productive or wasted long has been debated. Adherents of committee procedure maintain that it is the best way of bringing to bear on a problem all shades of opinion. Detractors claim that the only fruit of such meetings is the least common denominator of what started out to be a good idea.

Those maintaining these opposite viewpoints have lost sight of the main

issue. There is nothing wrong with committee procedure in itself. Any business involving more than one operative must have conferences—except possibly an organ grinder with a simian helper whose only interest is peanuts.

Preparation Necessary

The trouble with committee meetings arises because members are not trained for the work, and they come to meetings completely or partially unprepared for efficient accomplishment. At the meetings they often devote their time to matters which each participant should have considered beforehand.

The main part of a committee's work should be done before the chairman raps the gavel. The meeting itself should be a collective consideration of points presented by qualified persons who have prepared their material—not a hectic mental scrimmage over ideas tossed on the table at random.

Proponents of "brain storming" sessions will disagree with this view. However, brain stormers are never engaged in conference, although they may sincerely think so. They are really mental trampoline performers, some bouncing higher than others, and all contributing to a highly diverting exercise which is roughly about as productive of lasting results as the performance of physical trampoline performers. In both cases, bouncing becomes an end in itself. Hatching ideas, like hatching eggs, is a lonely business, and individual effort is the main requisite. Any extraordinary idea man or ordinary hen can vouch for that.

Although insurer executives are forever trooping off to committee meetings, the gatherings are not taken too seriously. This is emphasized by the fun that is poked at the typical talkathons whose echoes resound around conference tables in many if not most companies. But jokes about committees are an expensive form of humor. If there were any way of computing the cost and clocking the time wasted in committee, tears might supersede laughter.

Methods For Improvement

There is not and probably never will be a perfect method for a super-efficient, silken smooth committee procedure, nor would such a meeting be worth much. Conference involves the figurative butting of heads by participants—each with a share of human cussedness and pride in personal views. But surely committee meetings can be transformed from the fairly typical Babel, where all participants speak strange tongues, into sessions where the participants at least speak a common language. Electronics experts have developed uniform jargon for computers to chew on. Can't the same be done for committee members?

It would seem profitable for insurers to work toward that goal—since their executives are in committee almost as often as they are operating individually. No company would knowingly permit an unqualified underwriter or claims man to waste its money. Why permit an unqualified or unprepared committee operator to do the same thing?

This query leads to consideration of specific methods by which companies could improve committee operations. The first step is to recognize that a committee's basic function is not to "do" anything. Its job is to analyze the matter in hand, formulate a recommendation and present it to management for action.

From this recognition, it follows that only those persons qualified to analyze

(CONTINUED ON PAGE 33)

It's no trick at all for agents of the American Casualty Group to switch hats at will. All major coverages for business and personal needs are assembled in one unusually versatile multiple line portfolio. Of special interest: (1) A really superior Health insurance program. (2) Twenty different types of Professional Liability coverage. (3) A highly qualified, service-minded Fidelity and Surety staff. There's more, but what it all adds up to is that agents can more readily develop maximum volume from each good account.

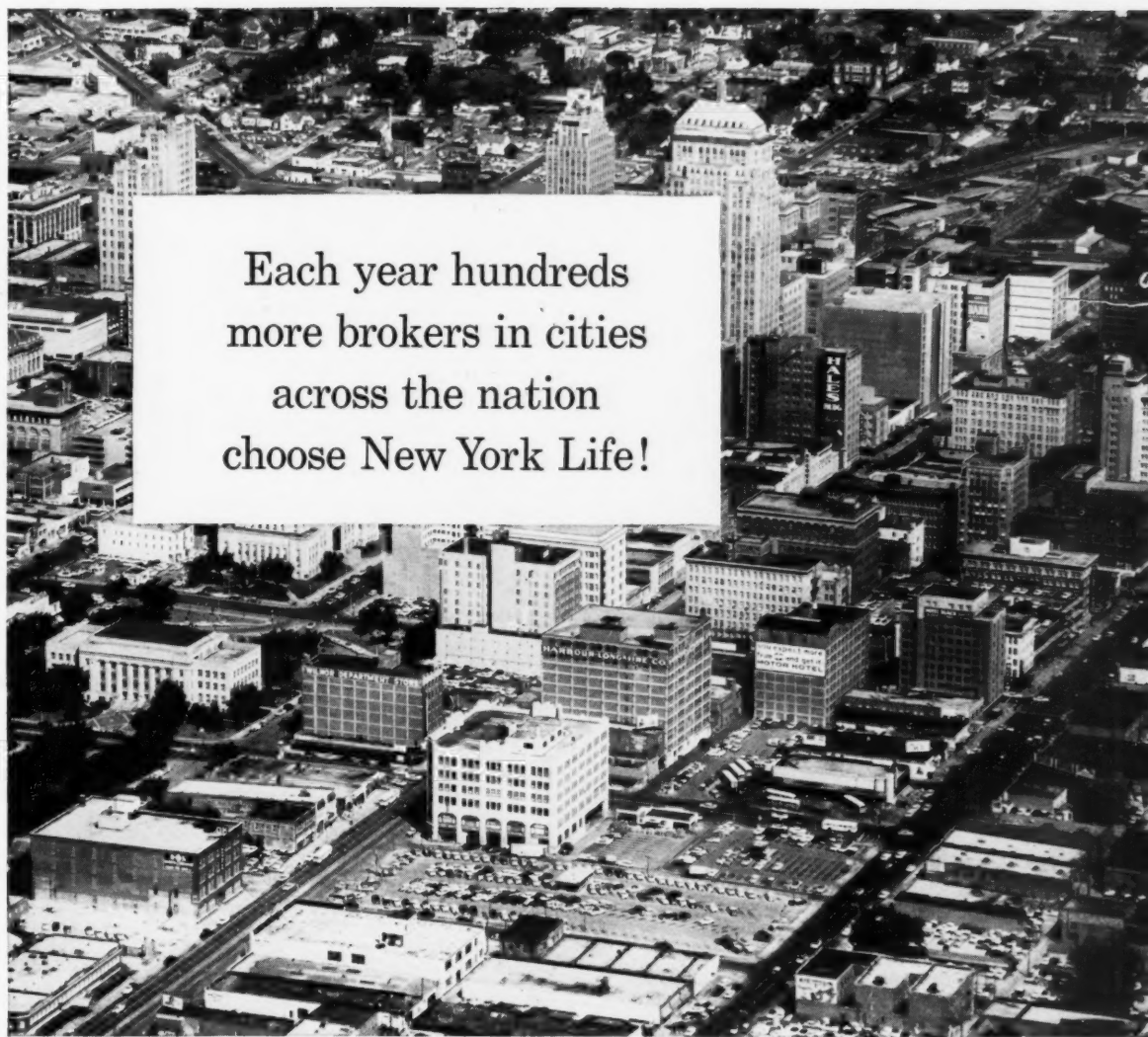
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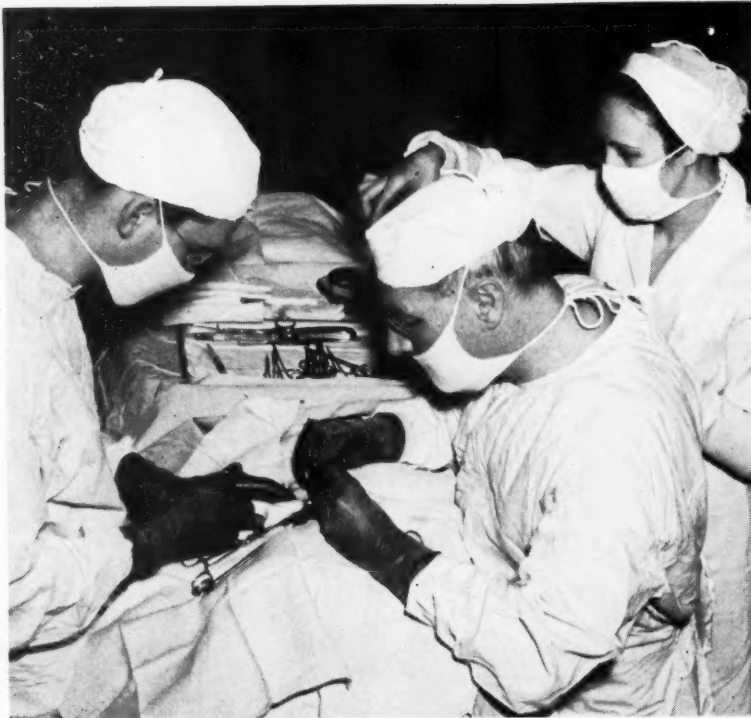
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Conventions

- Oct. 21-23, Colorado agents, annual, Broadmoor Hotel, Colorado Springs.
- Oct. 22-27, National Assn. of Mutual Insurance Agents, annual, Statler Hotel, Washington, D. C.
- Oct. 23-25, Missouri agents, annual, Governor Hotel, Jefferson City.
- Oct. 24, Rhode Island agents, annual, Sheraton-Biltmore Hotel, Providence.
- Oct. 24-26, Assn. of Mutual Insurance Engineers, regional meeting, Sheraton Dallas Hotel, Dallas.
- Oct. 24-26, California agents, annual, Sheraton-Palace Hotel, San Francisco.
- Oct. 24-26, Health Insurance Assn., Individual Insurance Forum, Drake Hotel, Chicago.
- Oct. 26-28, Nebraska agents, annual, The Town House, Omaha.
- Oct. 27, Connecticut agents, annual, Statler-Hilton Hotel, Hartford.
- Oct. 27-28, Kansas State Assn. of Mutual Insurance Companies, Holiday Inn, Topeka.
- Oct. 27-29, New Mexico agents, annual, Western Skies Hotel, Albuquerque.
- Oct. 30-Nov. 1, Illinois agents, annual, Pere Marquette Hotel, Peoria.
- Oct. 30-Nov. 1, Tennessee agents, annual, Andrew Jackson Hotel, Nashville.
- Oct. 31-Nov. 2, Nevada agents, annual, Las Vegas.
- Nov. 1-3, National Assn. of Independent Insurers, annual, Chase-Park Plaza, St. Louis.
- Nov. 2-3, Michigan mutual agents, annual, Pantiind Hotel, Grand Rapids.
- Nov. 9-11, Insurance Section, American Management Assn., fall conference, Drake Hotel, Chicago.
- Nov. 10-11, Central Claims Executives Assn., Morrison Hotel, Chicago.
- Nov. 13-15, Kentucky agents, annual, Kentucky Hotel, Louisville.
- Nov. 14-16, Indiana agents, annual, Claypool Hotel, Indianapolis.
- Nov. 16-18, Casualty Actuarial Society, annual, Statler Hotel, Washington, D. C.
- Nov. 21-22, Illinois mutual agents, annual, Pere Marquette Hotel, Peoria.
- Nov. 28-Dec. 2, National Assn. of Insurance Commissioners, regular meeting, Commodore Hotel, New York.
- Nov. 30, Insurance Federation of New York, annual luncheon, Waldorf-Astoria, New York City.
- Dec. 1-2, Conference of Mutual Casualty Companies, accounting & statistical, office methods & personnel meetings, Conrad Hilton Hotel, Chicago.
- Dec. 1-2, Insurance Advertising Conference, midyear, Statler-Hilton Hotel, Washington, D. C.
- Dec. 28-30, American Assn. of University Teachers of Insurance, annual, St. Louis.

1961

April 17-19, National Assn. of Insurance Agents, midyear, Philadelphia.

Rough Notes V-P Suggests How Agents Can Save Time

How to work smarter and not harder was the subject of the talk given by Richard D. Layton, vice-president, Rough Notes, at the October meeting of Cincinnati Insurance Board.

Mr. Layton told agency men that they spend too much valuable time during the day doing menial jobs that could be done by underlings. Opening the mail, signing checks and policy forms, extended coffee breaks and other daily rituals all but cut profitable time that could be spent selling.

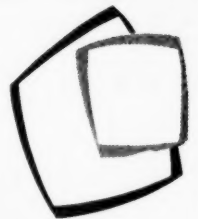
"Man is the only animal that fights to stay in a rut," he said.

The speaker also suggested an agency that wants to be profitable should write a minimum of \$50 on each item of business, and should represent not more than 10 companies.

Hawkeye-Security Field Men Meet

The annual sales clinic for field men was conducted at Des Moines by Hawkeye-Security and United Security. More than 26 executives from the eight regional field offices of both companies attended. With the theme of "Creative Selling," the conference featured workshop meetings.

William L. Cobb, president of both companies, opened the conference with a talk on "Our Front Line." J. S. Tresler, agency vice-president, was chairman of the clinic.



Higher Auto Limits!

**EXCESS LIMITS FOR
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*Our guaranteed commissions
are among the highest
paid for this class
of business!*

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for assigned risks only



"Here's how I picked up \$1,731 in NEW premiums with more to come."

by a Pittsburgh insurance agent

"When I heard that a contractor was about ready to renew his firm's liability insurance, the first thing I did was call Bill Nearing, Special Agent for *The American*.

"Knowing we were up against tough competition, Bill and I wasted no time making a detailed survey of this company's present liability policies. It paid off! Bill found some over-lapping coverages. Back at his office he had *The American* underwriter work out a program that eliminated all duplication and offered proper coverage at less premium . . . with *The American's* Comprehensive Liability Policy.

"Needless to say, the contractor was pleased as punch. He not only awarded me the policy totaling \$1,731 in premiums but also promised me, as soon as they expired, his personal Homeowners policy, the Money and Securities policy on the business, and the total Fire line on the office building and other property he owned . . . with premiums in excess of \$2,000!

"Believe me, I'm not letting this extra income go to waste. That's a new outboard motor on my boat. And that's Bill Nearing right next to it. It's a real pleasure to take him for a cruise once in a while. After all, he's worked as hard for it as I have!"

You, too, can help yourself to extra income by taking advantage of *The American's* fine reputation, multiple line facilities and excellent branch office services . . . offering prompt policy-writing, expert engineering, premium auditing and speedy claim attention. Contact your closest *American* branch office. Let us prove to you that *The American* means business . . . MORE BUSINESS FOR YOU.

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ACCIDENT & HEALTH • AUTOMOBILE • BONDS • BURGLARY • FIRE & ALLIED LINES • GENERAL LIABILITY
GLASS • INLAND & OCEAN MARINE • MULTIPLE PERIL • WORKMEN'S COMPENSATION

Linton To Chicago, Pyle To K. C. For National Fire

R. K. Linton, manager of the fire, marine and multiple peril division of National Fire at Kansas City, on Jan. 1 will be promoted to agency superintendent in the western department production staff. He will be succeeded at Kansas City by J. R. Pyle.

Mr. Linton had local agency experience before joining National Fire in

1954 as special agent in Oklahoma. He was promoted to state agent in 1957 and two years later was advanced to manager of the fire, marine and multiple peril division at Kansas City.

Mr. Pyle joined the company in 1955 as Oklahoma state agent after company and agency experience.

Casualty Adjusters Assn. of Chicago heard Howard O. Brower, assistant secretary council on medical service, American Medical Assn., speak on "Physician-Insurer Relations and Appraisal" at its October meeting.

Aetna Fire Raises Two In Reinsurance Unit

Aetna Fire has advanced John R. McElraevy from examiner to supervisor of the reinsurance department. Mrs. Margaret D. Jenks has been appointed examiner in the same department.

Mr. McElraevy joined the company in New York in 1939 and was transferred to Hartford in 1941. Mrs. Jenks has been with the company since 1946 when she began in the reinsurance department.

Continental Casualty Opens 6 Claim Offices

Continental Casualty has opened new claim service offices in six cities. F. W. Fulle is in charge of the new office at Kingston, Pa., with the title of claims supervisor. He has been at New Haven. The Kingston office reports to Syracuse. Mr. Fulle has been with Continental since 1957.

At Greensboro, N. C. the claim supervisor is Roger S. Rhodes. This new office reports to Atlanta. Mr. Rhodes has been with Continental since 1953 and has been in the insurance business since 1941.

Donald F. Liljedahl has been transferred from Denver to Phoenix in charge of the new office there with a title of claim supervisor. The office reports to Los Angeles. Mr. Liljedahl has been with Continental since 1955 as a claim representative and claim supervisor at Denver.

At Youngstown, O., the claim supervisor of the new office is Benjamin F. Kelly. He will report to Cleveland. Mr. Kelly has been with Continental Casualty since 1949.

John F. O'Neill is in charge of the new office at Norfolk, Va., under the supervision of the branch at Washington, D.C. He has been with Continental since 1958 as claim representative at Washington.

Harry G. Krom has been transferred from West Palm Beach to Tampa in charge of the new office there. As claim supervisor, he will report to Orlando. Mr. Krom has been with Continental since 1916.

Mich. Osteopaths' Unit To Study High Care Costs

Michigan osteopaths meeting at Grand Rapids, discussed means of combating a tendency to increase hospital and medical insurance costs through unnecessary treatment and care. A special insurance committee within Michigan Assn. of Osteopathic Surgeons & Physicians was set up to study the problem and act to remedy the situation.

Dr. Alan M. Potts of Royal Oak and Dr. D. L. Cummings of Grand Rapids, the outgoing and incoming presidents, respectively, explained why action is indicated at this time.

Some policyholders, Dr. Potts said, request unnecessary treatment because they want to "get as much as possible out of their policies for which they have been paying premiums."

Dr. Cummings said the rising living standard is a factor in creating a state of mind in which "Americans want better medical care and often confuse it with more medical care, or more expensive medical care."

Abuses of this nature naturally increase hospitalization and insurance costs, the osteopaths emphasized, admitting that, in some cases, physicians are at fault by increasing fees when they know their patients have insurance, or else they bend to patient will and provide more attention and medication than are strictly needed.

Aetna Fire Names Craft

Dayton E. Craft has been appointed special agent of Aetna Fire at Fargo, N. D. He succeeds Robert P. Anderson, who has left the company.

Gordon D. Sterling, who for 3½ years has been with the engineering division of the Factory Mutuals, has been appointed loss prevention engineer on the technical staff of Fairfield & Ellis agency of Boston.

NOW AVAILABLE TO FLEET OWNERS!

ALLSTATE SERVICE AND SAVINGS ON INSURANCE

*The same benefits that attracted
nearly 5 million motorists to Allstate*

1. FAST, EFFICIENT CLAIM SERVICE

Allstate has the largest number of claim service locations, staffed by the greatest number of full-time salaried claims people in the auto fleet insurance business. 224 locations... in all 50 states and Canada!

We keep your public relations policies in mind, and as always, we pay all legitimate claims promptly.

2. NO UNCERTAINTY ABOUT WHERE YOU STAND

Allstate is in the fleet insurance business to stay, and that's a guarantee. We're interested in joining with you in a long-term partnership, as we have with many of the companies listed in this ad.

3. GOOD SAVINGS ARE POSSIBLE

As with all fleet insurance, your loss experience sets your rate. But Allstate's efficient office procedures, minimum use of independent adjusters, and electronic record-keeping help keep our costs lower, so your ultimate premium may well be lower than what you're now paying. (Standard rates in Texas where eligible policyholders have always saved through dividends.)

We'd like the opportunity to tell you, in detail, about all the advantages Allstate offers you. A letter, wire or phone call to Jim Wickens, Manager, National Accounts Division, at our Home Office, is all that's necessary to get you the full story. Allstate Insurance Companies, Home Offices: Skokie, Ill.

May we help you?

These are just a few of the companies currently insuring their fleets with us. A number of them have been with us over 10 years. We invite you to check with any of them:

Anchor Motor Freight
International Shoe
Kimberly-Clark
Mohawk Motors, Inc.
National Cash Register
Rexall Drug
Sears, Roebuck
United States Gypsum
Westinghouse



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Leaders in

GREAT AMERICAN'S

Parade of Progress



These are but a few of the many new policies and plans being developed at Great American. Others will be announced soon.



- Look to Great American for progressive ideas . . . new and better policy forms . . . improved merchandising methods—all designed to foster agency growth and provide more income for producers.

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Most Group A&S Plans Also Cover Dependents, Says Health Institute

Nine out of 10 group A&S policies being issued by insurance companies provide coverage for dependents of employees as well as the workers themselves, according to Health Insurance Institute.

In 1959, insurance companies issued nearly 21,000 new master group hospital expense policies and almost 19,000 of these extended coverage to de-

pendents of the employees.

The figures were almost exactly the same for group surgical expense policies issued by insurance companies in 1959, said the institute. Last year, 17,930 group medical expense policies were issued by insurance companies and 15,690 of these policies covered dependents.

There were some 7,200 group major medical expense policies issued supplementary to basic hospital-surgical-medical policies and all but 100 of these protected dependents. More than 90% of the 8,000 new comprehensive group

major medical policies (not written on top of basic plans) also covered the worker's dependents, the institute said.

In every instance but comprehensive major medical, more new master group policies were issued in 1959 than in 1958, the institute declared.

George Nolan, Hillsboro, has been elected president of **Washington County (Ore.) Assn. of Independent Agents**. Other new officers are Richard Hayman, Hillsboro, vice-president, and Rosemary Burns, Beaverton, secretary-and treasurer.

Clement Leaves Insurance News For Agents' Post

Richard V. Clement, an editor of Insurance News of Portland since 1956, has been named assistant executive secretary of both the Oregon and Portland Assns. of Insurance Agents.

Mr. Clement was with the Oregon state board of forestry from 1948 to 1954, leaving to become office manager of the Union Register in Portland. He became associate editor of Insurance News in 1956 and managing editor last year.

Industrial Indemnity Opens Branch Office At Pasadena

Industrial Indemnity has opened a branch office in Pasadena with Thomas P. Neely as manager. The branch will service 130 agents and brokers in southern California doing a volume of \$2.5 million.

Mr. Neely has been with Industrial Indemnity since 1947, and he has experience as an underwriter, payroll audit manager, special agent, assistant division manager, and, most recently, administrative manager at San Francisco.

Special agents at Pasadena will be William Spargur and Richard Andersen, who have been at Los Angeles. Gordon Grant is casualty underwriting manager. He also has been at Los Angeles. James Cox is in charge of the property lines, and claims activities will be under the direction of Will Murphey. Mr. Cox has 15 years of insurance experience and Mr. Murphey has been with Industrial Indemnity since 1953.

Buffalo Names Weis In Suburban N. Y. Field

Buffalo has appointed Arthur G. Weis state agent at Baldwin, N. Y. He will serve the Long Island and Staten Island areas in association with John J. Brady, manager of the New York suburban and metropolitan department.

Mr. Weis entered the business as a fire underwriter with Loyalty group in 1947. He went with Pearl in 1951 and was later a special agent for that company on Long Island and in upstate New York.

Pennsylvania Claim Men's Assn. has started a new series of monthly bulletins containing news of local association meetings and relocations of offices and personnel.



"Don't tell me you've been through another agonizing reappraisal of renewal problems"

Hold on, Mabel — maybe he is in agony. To cure his renewal headaches in compensation and liability coverages, he needs Bituminous. Modern rating concepts are utilized in tailoring each insurance program to fit the individual risk. Claim service is fast and fair. And Bituminous' leadership in engineering helps keep rates low — a door opener at renewal time. Add it all up and you'll find that with Bituminous you have more to sell. You'll spend less time on

those agonizing renewal problems and have more time for new production. Get in touch with your nearby Bituminous branch listed below.

BRANCH OFFICES AND SUPERVISORY GEN'L AGENTS:

Atlanta, Ga.; Belleville, Ill.; Birmingham, Ala.; Charlotte, N. C.; Chicago, Ill.; Coral Gables, Fla.; Dallas, Tex.; Detroit, Mich.; Indianapolis, Ind.; Kansas City, Mo.; Louisville, Ky.; Milwaukee, Wis.; Minneapolis, Minn.; Nashville, Tenn.; New Orleans, La.; Omaha, Neb.; Philadelphia, Pa.; Pittsburgh, Pa.; Richmond, Va.; Rock Island, Ill.; and St. Louis, Mo.



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HOW MUCH IS A LOT?

That depends on you! It depends on how much money you want to make—and whether you can instill in others your spirit of accomplishment and “know how”. So, ask yourself:

Can I show others how to prospect—to get leads from their own efforts, ability and imagination and not depend on the home office or their supervisor?

Can I inspire others to tell a convincing story—and do better with a proven competitive merchandising plan, featuring dismemberment—lifetime income—top value income settlement option—and the premium payment plans of the future, Check-O-Matic and Aut-O-Check?

Can I inspire others to enjoy competition—and more important, to compete with themselves?

Can I instill in others the desire to earn—more money by making the most of their abilities?

If you can give affirmative answers to those questions, then there's *no limit* to “How Much Is A Lot” when you have an Ohio State Life Contract which offers:

Highest lifetime service fee in the business to adequately compensate the career underwriter—fully vested renewals for 9 years—top 1st year commission on par and non-par policies—agency office allowance—non-contributory pension plan—operating capital for new agents.

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Insurance Company
COLUMBUS 15, OHIO

GENERAL AGENT OPPORTUNITIES

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FREDERICK E. JONES, President
HOWARD W. KRAFT, Vice President
and Director of Agencies

Glens Falls Advances Murray In Ohio Unit

Glens Falls has appointed Louis P. Murray Jr. assistant manager of its Ohio department with headquarters in Columbus. He will be associated with Paul L. Hite, manager. Mr. Murray succeeds Wilfred C. Barr, who was recently promoted to superintendent of field underwriting at the home office.

Mr. Murray joined the company in 1953 and after completing his home office training was transferred to Philadelphia where for six years he has supervised southern New Jersey.

Congressmen, Aspirant Debate Health Care Law Before Indianapolis Assn.

A forum discussion of the degree to which the federal government should enter health insurance opened the meeting season for Indianapolis Assn. of Health Underwriters.

Panelists Sen. Homer Capehart (Rep., Ind.), Rep. Joseph Barr (Dem., Ind.), and Republican Congressional candidate Donald Bruce analyzed the implications of the health care bill passed recently by Congress and offered their views of the role of the government in health insurance. Edward H. O'Connor, managing director of Insurance Economics Society, was moderator.

Sen. Capehart reminded his audience of the traditional humanitarian interests of the American people in the welfare of the sick and the elderly, and Rep. Barr termed the new legislation “an excellent bill.”

Rep. Barr commented that his personal decision to vote for the bill was based directly on recommendations of International Assn. of Health Underwriters and American Medical Assn. He then accused IAHU of demonstrating a self-contradictory attitude toward his decision by criticizing the health care bill which it had specifically recommended for his consideration. Mr. O'Connor replied that the IAHU recommendation represented theoretical opposition but practical support of one bill determined to be the least radical of several which had been introduced in Congress.

Candidate Bruce warned that the federal government is not “an instrument of love” and that federal aid is “no answer.” He criticized government programs as “something for nothing” and “a lien on the future of our children.”

Referring to the question of inequality of requirements of individual states for obtaining government funds, Mr. Bruce assailed the recent health care legislation as being “economically punitive” for those states requiring less assistance.

Employers Mutuals Promote J. R. Leffler

Employers Mutuals of Wausau have appointed James R. Leffler, Los Angeles claim manager, to compensation claims manager at the home office. Succeeding Mr. Leffler at Los Angeles will be Michael R. Tillisch Jr., currently Omaha claim manager. Robert C. King, home office claim examiner, will replace Mr. Tillisch at Omaha.

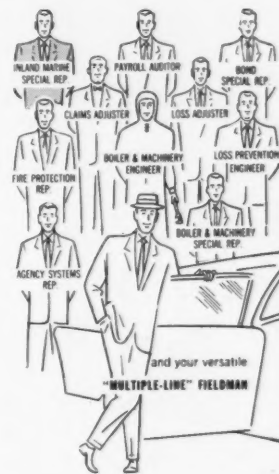
Mr. Leffler has been with Employers Mutuals since 1941; Mr. Tillisch since 1950 and Mr. King since 1947.

Firemen's of Washington, D. C. has elected as a director, Ernest E. Dooley, manager of the insurance department of Perpetual Building Assn.



BUILDING UP THE BUILDER

Insuring contractor's equipment can be hazardous — for you. Not knowing *how* to tailor coverage for a hundred-thousand dollars worth of machinery — a typical risk — can reduce the contractor's confidence in you and could cost you the account. But when Royal-Globe's Inland Marine special representative is called to solicit, quote premiums and tailor coverage, you build yourself a better position. Our IM man knows the machines, the risk involved in different projects, and the different patterns of deductibles to apply. For building up the contractor — or any IM client or prospect — call Royal-Globe's Inland Marine special representative!



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Character, Growing Importance Of Agency-Company Relations

(CONTINUED FROM PAGE 1)

times past. Still others and some of the foregoing want to maintain something near the income that they have had.

It is difficult to quarrel with these objectives.

It is frustrating for a producer who has developed a following not to be able to place business readily after he has done his part of the job. However, it is also difficult to see how a new insurer formed by producers can do better with risks that 500 seasoned companies decline to write because they have lost money on them.

Meeting Competition

Agents who have developed offices that are in effect small companies that can do the processing of business as well and often better than their insurers can hardly be blamed for not wanting to throw out the system in which they have invested so much time, money, and know-how; or face the necessity of paying out of their own pockets for duplicate services because the company now after many years wants to take over the job, and deduct the cost of it from the agent's pay. However, companies are not doing this because they hate agents and are bent on demeaning them. They are doing it because they have to meet their competitors. If, in the process, they are making mistakes—and they are—it may be up to the agents to lead the way to a satisfactory common solution.

For the agent who has spent half or more of a career building an income that is reasonably satisfactory for his needs and wants, it is a discouraging experience, even a bitter one, to have the income reduced—not because he suddenly starts doing a poor job and not because his customers are dissatisfied. Yet agency companies for years have watched their share of the

market decline in comparison with competitors and have had to face the fact that price is a merchandising tool highly effective among new buyers of insurance, people who have the need of coverage almost before they have the money to pay for it. Our own opinion is that price has been over-emphasized and that the part played by face to face persuasion has not been accorded its full share of credit for these results. In this connection, the agency companies that do not have enough business have a very tough problem because they may be dealing largely with agencies that believe they do have enough business—for these companies are competing with companies whose agents by and large do not have enough business.

Solution That Is Satisfactory

In any event, it is easy today to get the impression that there is more competition between agents and companies than between agents for the public's business. In the end the intramural problems will have to be solved. The solution is likely to be, as so often it has been in the past, one that is satisfactory to the buyer—whether or not it is altogether palatable to the agent or the company.

1. What further strains are ahead?

Some of the same things that happened (and are still going on) in personal lines of automobile and homeowners are taking place now in commercial business. You can expect more packages, and some of them will include third party liability and other casualty coverages. The motel form is being designed for adaptation to other large groups of homogeneous risks, apartments, for example, and stores—there is a list of a half a dozen to ten. Large companies whose names are familiar to you all, companies that have hewed to the bureau line for generations, will file deviations in fire, or

file independently. A few already have done so; they will do more. The list will grow.

Most of these moves, bureau and individual company, are being made to get business or keep it. For agents that already have it, this may sound like bad news. It means they are likely to get less money for what they already have nicely on the books. It is certain to mean work. For agents who don't have the business, or as much of it as they want, perhaps these changes are good news. They will offer the growing agency opportunities.

A prominent company executive recently stated, in answer to the question, will homeowners rates be reduced again soon, that experience country wide, with a few geographic exceptions, looks all right. Anyway, he added, one direct writer's loss ratio is 37. So rates are certainly not apt to be increased soon; they may be reduced.

The so-called organization companies are determined not to let the homeowners go the way of the quality private passenger auto business. As a thoughtful agent put it the other day at Atlantic City, homeowner filings continue to be made not on experience but for competitive reasons.

Two Illustrations

Two recent stories illustrate as well as anything, perhaps, the crazy mixed up state of affairs. You may have heard them yourself.

An agent who has a partner younger than he was discussing whether to offer a young married man with two children the merit auto plan or continue him with the regular auto coverage. The older agent said, we'll lose \$4 of commission under merit rating. But, the younger agent said, he can use the rate reduction. Finally the younger agent suggested that he present insured with a program which included merit rating, life and A&S, and

homeowners on a monthly payment plan. The younger agent returned with \$68 in commissions on life insurance, enthusiastic appreciation for the payment plan, and agreement to add \$10 a month to it for more insurance as soon as the family could afford it.

One Agent Caught

On the other hand, the institutional property floater, a competitive form that promises to be highly competitive and acceptable to insured in this area, caught one agent in the middle. The agent has mostly institutional business, and the new form at the new rates and at reduced commissions is said to have cost him half his income. Of course it is easy to say that an agency that does not have a broad spread of business, over lines and over types of risk, is highly vulnerable to both economic changes and competitive maneuvering within the insurance business.

The institutional form was filed in one state, based on a 15% commission. Within 36 hours there were companies paying 20 and 25%—perhaps 30. By setting a rate for a product with a commission of 20% and payment of 25 or 30, the company is trying to buy loss ratio and the agent is, presumably, trying to deliver it. Whether this gamble will work under modern competitive and loss conditions remains to be seen. The odds against it are much greater than they used to be. Certainly the agent who does a good job is entitled to get more out of this business than the agent who does not. However payment of more commission than the going rate—about which you hear little if any complaints by agents and no discussion by companies—in advance of the period of liability is not likely to be especially good for either the company or the agent in modern times.

How To Avoid Collisions

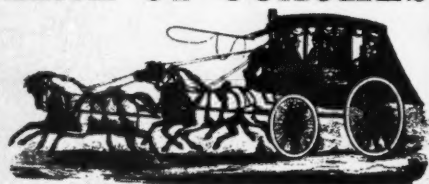
Perhaps as time goes on there will be fewer of those inadvertent juxtapositionings of bureau action such as a new homeowners coverage and rates one month and new automobile coverage and rates the next. These things are due to faulty relations and communications within company groups. More information would have disclosed what was happening, but didn't. Certainly a short conversation between one or two agents and one or two company executives would have revealed the imminence of such a head-on collision as this so that it might have been avoided.

However, it is well to note here that a bureau will not tell an association exactly when and where and what it is going to do.

2. Why are relations more important today than ever before? Because the competition is more "controlled." Lines of communication and action, company to agent, are becoming tighter. The exclusive agent companies and more and more agency insurers are getting and keeping closer to their agents and to sales and underwriting. The agents of these companies are more responsive to competitive moves by their companies. They move faster. There is less for the agent to keep track of if he represents five companies than if he has contracts with 25. The agent representing one company has one product, the insurance offered by his company. Both of them are more responsive to competition and both tend to be more successful competitively if other factors are reasonably equal.

This responsiveness—and the promptness of it—can, over a period, make a substantial difference in the competitive position of companies that

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get it and the companies that don't. Since more and more agency companies are working on this problem, those that are not are drifting into what appears to be a deteriorating situation.

The winning combination is the company and agent, each of which has tested each other out and keeps on doing so. The result is communication, understanding, and a considerable amount of practical sympathy.

Yet many companies still do not underwrite the differences in agents (or pay for them except inadvertently and without anything for their money). It is quite obvious that many agencies regard companies as all pretty much alike—with the same product, the same quality of management, the same future and the same past.

Can Be Fatal Error

That is an error and it can be fatal.

Relations are important because this is the people part of the business and people are the most important asset the business has. Money is important, yes; buildings, unhuh. But the heart of it is people. It is unfortunate that there has not been a keen enough sense of the truth of this in times past and still not enough realization that it is so. With the right kind of people, you'll get the money and the buildings. In fact, you can (you may already have done so) buy out the buildings and portfolios of those agencies and companies that have to disappear because they didn't have the right kind of people or didn't use them properly or inspire them or pay them enough and most of all didn't keep them aimed in the direction of the right objective.

People. People who know how to do things or have the gumption and impulse to learn how. People who sell, not because they need \$2.58 or \$128.95 but because they find someone who needs a product and are so enthusiastic about it that they can't help but sell it. People who know how to underwrite positively as well as with caution. People who understand insurance as something a man needs several kinds of and, very likely, always more than he has. People who handle claims with firmness and fairness.

But above all, people who are willing to team up, company with agent and agent with company, to do a job for insured.

For too long the business has paid its able performers so little it has ended up with too many people who are being paid too much. For too long company executives have not gone into the field to talk with agents to learn weakness and problems. But neither have the agents gone to talk with key company executives. Agents have been too content to take somebody's word for what and who the company is that they are selling to the public. They have spent little or nothing in money or effort to understand the company's people and problems.

What kind of relations are your companies and you capable of.

One thing is sure. They are going to be permanent only if they are successful, and they are going to be successful only if they are satisfactory to both parties to the relationship.

It is a mistake for the company to assume it has agents in its pocket or can get all it needs and wants by going out and asking. But it is equally erroneous for the agent to assume simply because there are more than 1,000 agency companies with a million or more in assets that they have their companies in their pocket, or that they can go out any time and get just as good or better companies to represent.

Because so many are guilty of these

errors you have had management by mimeograph; giant changes are exploded upon agents suddenly and in surprise. You have had agents who supposedly constitute the sales and service personnel of the company splitting companies on small risks, playing one company against another for commissions on business that doesn't grow except when rates are increased, and paying balances 30 to 60 days late, or later.

It is important to understand people and their problems. Maybe if you understand the other fellow's problems

better, it would be the beginning of a solution to your own. Certainly you are going to have to know him better and why he acts the way he does if you expect to know and understand what is happening and is yet to happen in the days ahead.

Possible Improvements

3. What can be done to improve the relations of agents and companies?

It always has been obvious to a close observer of the insurance scene that there should be more association instead of less. Much of the educational

and other standards that agents of the country have to meet today has been achieved by associations such as yours. Many of the problems of the business have been solved by agents working together in an orderly way. Many problems yet unsolved will have to be solved at least in part by agents working cooperatively if they are to be solved at all. For example, one association is solving the problem of automation for agents, which some companies individually appear to have been unable to do up to now. The key

(CONTINUED ON PAGE 40)



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Advises Defense Counsel On Handling Of Suits Involving Excess Of Policy Limits

William W. Evans, St. Louis attorney, told the insurance section of American Bar Assn. at its annual meeting in Washington that the problems of handling personal injury cases in which the claim for damages exceeds the policy limits of insured has been a vexing and dangerous one for defense attorneys. They are often caught in unavoidable conflicts between the inter-

ests of insured and his insurer. Both are clients to whom the defense attorney owes all of the duties and considerations imposed by the attorney-client relationship.

In the great majority of cases the courts have held that a liability insurer, having assumed control to the right of settlement of claims against insured, may become liable in excess

of its undertaking under the policy provisions if it fails to exercise "good faith" in considering offers to compromise the claim for an amount within the policy limits. Some courts go even further, holding that there might be liability for negligence in rejecting a reasonable compromise offer. But whether good faith or negligence is the test, courts in most jurisdictions today recognize the existence of a cause of action on the part of insured against his insurer where the judgment exceeds his policy limits, he noted.

In addition to recognizing that such

a cause of action exists, the recent decisions have given to insured, and indirectly to the claimant who sustained personal injuries, potent remedies for the enforcement of the cause of action.

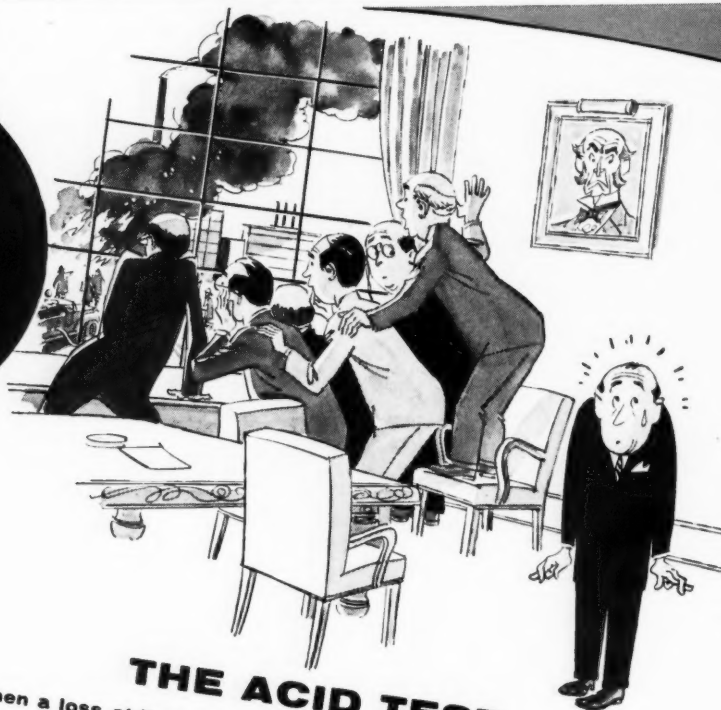
Generally, an injured party-plaintiff who has obtained a judgment in excess of defendant's policy limits may not directly sue defendant's insurer for bad faith or negligence in refusing or failing to have settled the injury claim within the limits. But numerous cases now hold that in such circumstances the insured defendant does have a cause of action against his insurer on which he may sue without actually paying to the plaintiff the difference between his policy limits and the amount of the judgment. Several recent cases have even held that insured's cause of action is assignable, which often simply means that the injured party-plaintiff will purchase the insured-defendant's cause of action and proceed directly against the insurer, Mr. Evans explained.

Faced with such formidable holdings, defense counsel's first consideration must be in properly handling the original damage suit on behalf of his insured client, he continued. Prevention is clearly the best medicine. Once an excess judgment has been obtained, the insurer will have to defend, in its own name and before a jury, a case where it is very difficult to convince that jury that the mere fact that the insurer guessed wrong about the amount of the verdict in the damage suit should not impose liability upon it for an amount in excess of its limits. If an actual case is made for the jury, the laymen appraising it will be quite apt to doubt that the first jury in the damage suit did anything unpredictable or unexpected in rendering the award that it did. The trick then is to settle the damage suit properly and reasonably, or to try it in such a way as to avoid a subsequent suit against the insurer based upon bad faith or negligence in refusing to settle within policy limits.

Insured's Duties

It seems to Mr. Evans that the courts have sometimes ignored or treated lightly the duties of insured while insisting upon near perfection in the handling of the case by his insurer. For example, when insured is notified that he is being sued for an amount exceeding his coverage, he surely has the duty to consider hiring his own lawyer and to take all necessary steps to protect his own pocketbook. He should not be permitted to sit by and unfairly place upon his insurer the entire duty of protecting him above his policy limits. Mr. Evans made a number of suggestions, partially for the purpose of pointing out what the defense lawyer may have to do to protect himself and his insurance client in situations of real danger. He urged practical interpretation of his advice.

In some cases, he said, an insurer may consult with its trial attorneys



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even before a suit has been filed. But generally speaking, defense counsel's first involvement will be when he receives a copy of the damage suit petition or complaint, along with the investigation file from the company. Up to that time he probably was not acquainted with the accident or with the individual defendant. Upon receipt of the petition for damages, based upon personal injuries to the plaintiff, defendant's attorney will most often find himself representing an individual rather than a company. Although there are cases where a corporate defendant is sued in excess of its policy limits, generally the corporations carry more adequate coverage, and the vast majority of cases on this subject involve individual defendants, particularly in automobile accident cases.

Letter Of Advice

Upon receipt of the suit papers, Mr. Evans continued, the insurer or its trial attorney will send a registered letter to insured, advising him that the amount of the suit exceeds his coverage, and that he is free if he so desires to retain a personal attorney at his own expense to represent him on the excess. When they receive suit papers or such letters in excess situations, defendants react in many different ways. Some immediately retain attorneys or at least talk to attorneys of their own choosing. Others do nothing, although in Mr. Evans experience many of these persons worry themselves sick from that time on until the end of the lawsuit.

More often, though, the defendant,

having been informed of the name of the attorney selected by his insurer to defend him, calls up that attorney and asks him what he should do. In any of these instances, whether the defendant responds to the excess letter or not, it is good policy for the defense attorney to arrange an immediate conference to discuss the matter with the client as soon after the initiation of the suit as possible.

If upon a review of a file an attorney finds that he is defending a man who has \$25,000 limits in a lawsuit brought for \$35,000—where it would simply be fantastic to suppose that the injured plaintiff could recover more than \$5,000—Mr. Evans believes the attorney should so inform the individual client. He should be told that in its letter the insurer meant what it said, and that it was the duty of the insurer to inform him that he did not have sufficient coverage to meet the actual claim for damages, and that he should consider himself free to retain an attorney of his own choice.

Other Usual Procedures

But if the situation clearly warrants it, Mr. Evans usually tells the client that the coverage appears to be more than ample and that there is no cause for further worry. The client should be given reasons for this attitude based upon investigation material in the file. But regardless of the question of liability as seen from the file, if it is obvious in reviewing it that the plaintiff's injuries would justify a judgment in excess of the policy limits of the defendant, the attorney should from inception inform him of this risk.

When such a defendant consults Mr. Evans regarding retention of a personal lawyer, Mr. Evans encourages this move and suggests that the other lawyer be put in touch with him to work toward a joint defense. In many cases there are fewer conflicts of interest when insured is also represented by a personal attorney.

State Offers, Demands

Judging by court decisions, Mr. Evans thinks that the matter of informing the individual defendant of the plaintiff's offers and demands is sometimes overlooked and neglected. This is unfortunate, for a failure to inform insured of a compromise offer may be considered evidence of bad faith. It is not difficult to follow the courts' reasoning that if insured has never been informed of the demand of plaintiff's attorney, he has had no real opportunity of considering whether to request his insurer to settle the case within coverage limits.

Occasionally, an individual defendant feels strongly that no payment

should be made by his insurer, even after he has been fully informed that the case can be settled within his policy limits and of the risk involved to him. He will usually base this attitude upon his fervent belief in his own innocence and his conviction that he is simply not liable. In such a situation defense counsel may be tempted to obtain a statement from his individual client to this effect.

Opinions May Differ

Opinions may differ, but Mr. Evans does not feel that he should take a statement from the man he represents, since the statement may later be used against his interest if judgment should be rendered in excess of his policy limits. This, of course, involves the personal attorney-client relationship, and if a man actually insists that he does not want the claim against him

paid, Mr. Evans can think of no reason offhand why his insurer's claim department cannot record his statement.

In the more usual case where settlement cannot be consummated, insured or his own attorney will either do nothing or will demand that plaintiff's offer be accepted. This places upon defense counsel the responsibility of accurately evaluating the case. While the defense should recognize the danger involved in any excess situation, it should certainly pay no more than the case is worth merely because of the possibility of excess exposure. It has been said that good faith requires that the insurer make its decision as to whether it should settle a case as it would if no policy limits were applicable. With this basic premise in mind, the problem of evaluation is no more difficult than in any other case, Mr. Evans noted.



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NAIC Sonic Boom Unit Meets

(CONTINUED FROM PAGE 2)

erage endorsement that would definitely not exclude sonic boom, available to commercial buildings, institutional, but not manufacturing.

Mr. Mahoney said he notes an impasse between the producers and companies with regard to the availability and demand for sonic boom coverage.

Ambrose B. Kelly, general counsel Factory Mutuals, stated his companies recognize sonic boom claims as legitimate and cover them subject to cer-

tain deductibles.

Mr. Kelly said, however, that he did not consider sonic boom a major hazard and that, accordingly, the coverage was being added to policies without additional premium. He noted that only two such claims had been presented to his member companies and that while they were not paid, insured involved were entirely satisfied with the reasons therefor.

At this point, Mr. Mahoney said he had received a letter from Roy H. Stitt,

vice-president North America, to the effect that more than 300 sonic boom claims had been paid by that company.

Might Have Been Glass Losses

William H. Rodda, secretary Transportation Insurance Rating Bureau, interjected the thought that many of these may well have been glass losses, the coverage for which is so broad that companies often pay for claims without necessarily ascertaining the exact nature of the causation factor.

Mr. Mahoney then cited a "\$5 telegram" from Commissioner Hunt of

Oklahoma who complained that many Oklahomans had had sonic boom claims turned down. Mr. Mahoney said that "most probably" these claims had originated from the now-famous Oklahoma City air show. Extended coverage endorsements at that time were somewhat vague on the sonic boom point, but today most companies would pay such claims, he suggested.

Background of a technical nature was supplied by Lt. Col. Butt. He said the air force does not know everything it would like to about sonic boom because of the despairingly large number of factors involved. The air force has run a number of tests and engaged in a number of research studies—most notably that conducted by National Aeronautical Space Administration.

Col. Butt stated that during the last fiscal year, 327 "sonic boom" cases were presented to his office. His procedure immediately upon receiving one of these is to contact those air force bases in the vicinity of the claim. He has some 200 claims people who investigate all aspects of the report. These men have delegation to pay up to \$1,000.

Basic Propositions

Col. Butt said his office operated upon the basis of certain propositions: Physical injury cannot be caused by sonic boom. Heart attack or shock claims purportedly resulting from sonic boom are not paid. Structural members of a building cannot be damaged by sonic boom. Sonic boom occurring at an altitude upward of 45,000 feet will not cause any damage; below this figure, damage is indeed possible.

The colonel said if the insurance industry thinks it has problems now, it "ain't seen nothin' yet" as the vernacular has it. Commercial air lines in the near future will be flying super sonic planes. Furthermore, the air force itself has such planes as the B-58. This plane, with its speed of 1,500 mph, is more than capable of causing a sonic boom from New York to San Francisco with one flight—even at 60,000 feet.

During the question period, one member of the audience challenged Col. Butt's assertion about no structural damage to buildings and quoted the Ottawa, Canada, incident. Col. Butt said that while such damage had resulted in that case, the facts were these: The airport had requested a low level super sonic demonstration. Scheduled to come in at 500 feet, the flight had actually come in lower and aluminum siding was ripped off the hangars of the newly completed airport. Six inch steel beams were reported to have been twisted into pretzel shapes. He did not see this damage himself, Col. Butt said.

Efforts Being Made

What is the air force doing to keep sonic boom to a minimum? Col. Butt said super sonic flights are scheduled as little as possible, although, obviously, training is necessary. Bases near a large body of water schedule their flights out to sea, even though this increases the hazard to the pilot.

Col. Butt showed a film which has been prepared by the air force as a public relations effort explaining the necessity for such flights.

Summing up, Mr. Mahoney said that while the question of the sonic boom's problem to the insurance industry has hardly been entirely answered by his committee, certain conclusions were becoming evident: The industry is fully aware of the problems' various and complicated aspects; there is no need for government-sponsored sonic boom insurance.

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Conspiracy To Hobble Federal-State Medical Care Plan For Aged Charged

The president of American Medical Assn., Dr. E. Vincent Askey, believes that at the moment "there seems to be a conspiracy to prevent the new joint federal-state medical care program for the aged from going into effect around the nation."

Speaking at the annual meeting of American Life Convention in Chicago, Dr. Askey said that those favoring the social security approach would have states believe that the development of the Mills-Kerr act at the state level is too difficult and too confused.

"Their object obviously is to keep as many states as possible from adopting legislation implementing the new legislation passed by Congress and signed into law by President Eisenhower," he said.

All Should Help

"As backers of this voluntary, federal-state matching grant program, all of us must do everything possible to see that all states participate. I am gratified to report that several states already have joined the program. In adopting regulations for eligibility and benefits, these first states apparently were neither confused nor slowed by

so-called difficulties or ambiguities in the new law."

Dr. Askey assured his audience that American Medical Assn. will do everything possible to get states signed up. Just two weeks ago AMA issued a joint statement with American Hospital Assn. urging the early adoption of implementing legislation in every state.

"Having gained this Mills-Kerr victory," he said, "we must not become apathetic and forget the follow-up or leave the details to others. We must do what we can to see that all the needy and the near-needy aged receive the medical help they have coming under the new law."

Paying tribute to voluntary health insurance, Dr. Askey spoke of the

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American Casualty has issued a new policy providing coverages for basketball teams in amounts up to \$1,000 for medical expenses and up to \$1,000 for loss of life or dismemberment. The coverage is designed for midget, amateur, semi-pro, high school, college or university team members.

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"tremendous progress" that had been made by the insurance business and the medical profession in covering millions of Americans.

"A superb job has been done, is being done, and will continue to be done. I urge you to forge ahead with speed, with wisdom and with consciousness of costs.

"Specifically, I hope you continue to improve and promote major medical coverage. Extraordinary progress has already been made in this area of voluntary health insurance. And I believe that you will agree with me: major

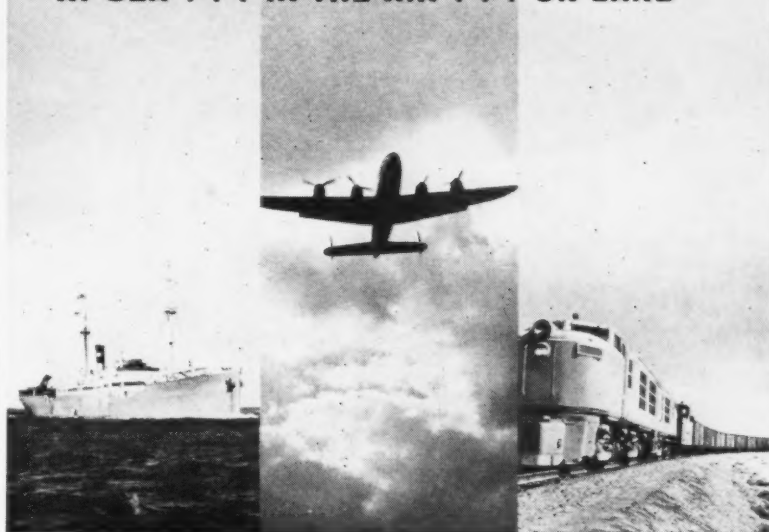
medical coverage cannot be allowed to fail.

"I also wish to point out to you that the American Medical Assn. is cooperating with you in trying to keep insurance costs and medical and hospital costs as stable as possible.

"The American Medical Assn. is on record opposing increasing professional fees just because people have insurance coverage. Our association believes that to use insurance as an excuse to hike professional fees contributes to the eventual defeat of these insurance programs."

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(CONTINUED FROM PAGE 2)

quire a minimum warranty of \$5,000 at 200% of board rate, and a minimum warranty of \$10,000 to provide board rate.

The Lloyd's open market also offers a relatively limited market for substandard business, such as schedules of tenement properties, usually placed without warranty, at a combined fire and EC rate of \$1 or twice the board rate, whichever is higher.

The Lloyd's excess liability market is

quite stable, both as to rates and capacity, Mr. Salladin continued. Certain covers such as excess over assigned risk auto limits, or reduced limits on coverage on youthful or over-age drivers, is usually written at a flat premium with minimums determined by the limits requested, and layers required to complete. Excess limits over policies subject to adjustment by audit are usually written on the basis of a minimum and deposit subject to a percentage of the finally developed

primary premium, or on a rate based on gross receipts, as in the case of long haul trucking.

For self-insured workmen's compensation risks, Lloyd's will provide excess over specific deductible, or excess of aggregate loss, Mr. Salladin noted. The minimum aggregate deductible is 70% of standard premium. Lloyd's also writes retrospective penalty indemnity insurance, usually stopping losses at 105% to 110% of standard, as well as all risk packaged deals.

Each of these forms is rated either by underwriters or contract holders on

the basis of completed application forms available to agents from their London correspondent.

Tailored plans for commercial risks are interesting to work on, Mr. Salladin observed. He thinks that a poll of the 100 largest corporations in the U. S. would reveal a very small portion of their cover written on conventional forms. On the contrary, they have special forms with high deductibles, but with high limits and very broad insuring agreements. It is possible to employ deductibles with extremely high limits on very broad forms of coverage both for first and third party cover at premiums comparable to lower limits and limited cover without deductibles.

Can Be Expanded

For example, first party cover written on an all risk plan to include water damage, flood, collapse, animal damage, etc., for real property, personal property and U&O can be made to include named perils covers provided by fire, EC, burglary, robbery and transportation. A sound primary liability program with minimum limits of 100/300 can be broadened by writing an umbrella liability policy with a limit from \$1 million to \$10 million excess of primary, or excess of a deductible on all risks not covered by the primary. A combination of the two makes it possible for the insurance manager or president of a corporation to notify the directors of the maximum possible loss. Should the agent have a risk in FIA or Factory Mutuals, with certain coverages, the agent can write difference in conditions or balance of perils cover, excluding fire, EC, etc., thus providing insured with all risk cover. This develops premium income and retains control of the risk for the agent, Mr. Salladin concluded.

Aetna Life Group Wins Award For Its College Recruitment Literature

Aetna Life group has received a top award for college recruitment literature from the Eastern College Personnel Officers organization which represents more than 100 eastern colleges and universities.

Aetna Life group won the award with its entry of six brochures designed to inform prospective graduates of career opportunities in the group. The category attracted entries from 137 companies, of which 12 received recognition.

McElroy-Minister Agency Adopts New Easy, Permanent Name

The McElroy-Minister Co. agency of Columbus has a new and permanent firm name, which completes a cycle of three name changes which began in September of 1958.

The agency was known as the McElroy-Minister Agencies for the better part of 83 years. In 1958, Robert W. McClure and William D. Kientz were elevated to full partnership and the agency became McElroy, Minister, McClure & Kientz.

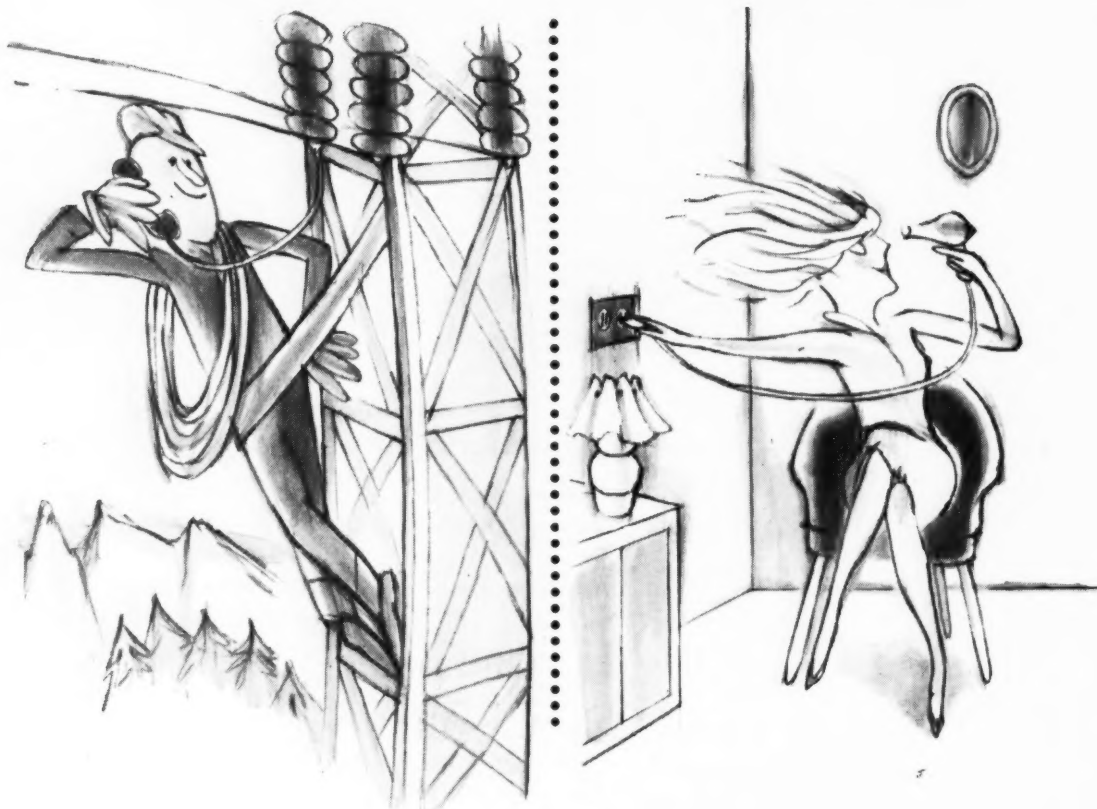
One year later this agency merged with the Lentz, Pierce, Hadley & Glandon agency. Because of certain technicalities, the two agencies were required until recently to retain their separate identities.

Now the name has been simplified to the McElroy-Minister Co. The eight principals of the new combined agency are Austin McElroy, Harry T. Minister, Robert W. McClure, William D. Kientz, H. Thorp Minister Jr., Henry H. Pierce Jr., Hugh M. Hadley and John C. Glandon.

You can count on Continental to write A&H on . . .

ANYONE

ANYWHERE



The man who works with high-voltage wires can be in a pretty hot spot . . . but not too hot for Continental. We're just as ready to write Accident and Health Insurance on high-voltage line-men as on the little lady whose closest contact with electricity is plugging in a hair dryer.

See your nearest Continental Agent or Branch Representative for complete information on any of our A & H products—Loss of Income . . . Hospital . . . Medical . . . Accidental Death . . . Travel, etc. Individual and Group coverages are available for Standard and Impaired Risks and People Over 65.

For A & H agency appointments, write to:

AGENCY DEPARTMENT

Continental Casualty Company

310 SOUTH MICHIGAN AVENUE, CHICAGO 4

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CONTINENTAL-NATIONAL GROUP

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MARKET TROUBLE

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We don't have a market to insure a Swiss mountain climber—but we DO provide an inexhaustible market for your unusual . . . hazardous . . . hard-to-place risks . . . including:

- EXCESS LINES
- SURPLUS LINES
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HOMER BRAY SERVICE, INC.

1633 Central Street, Evanston, Illinois
Send me complete information on the following risk coverages:

Name _____
Company _____
Address _____
City _____ State _____

Travelers Raises McBride, Collins Sisbower And Shaw

Travelers has named Carroll J. McBride second vice-president in the accident department; William F. Collins secretary underwriting development; Thomas J. Sisbower secretary automobile, compensation and liability division of the casualty underwriting department; and Stanley T. Shaw assistant superintendent of agencies in the casualty-fire agency department.

Mr. McBride joined the company in the claim department in 1931 and subsequently became an examiner in the home office, and later adjuster and supervising adjuster at New York. He was named assistant secretary of the accident department in 1948 and was promoted to secretary in 1952.

Mr. Collins joined the company in the fire department in 1928 and was transferred to the brokerage department in 1938 and to the marine department in 1949. He was promoted to chief underwriter in the marine department in 1954 and to assistant secretary in that department in 1957.

Mr. Sisbower went with the company in the casualty underwriting department in 1936 and subsequently was advanced to assistant chief underwriter and chief underwriter. He was named assistant secretary in 1949.

Mr. Shaw joined the company as fire and marine special agent at Des Moines in 1949 and was transferred to Kansas City in the same capacity in 1950. He subsequently was named assistant manager at St. Louis in 1953 and at Detroit in 1956, before being named manager of the fire and marine department at Louisville in 1959.

Diemand To Get Award Of Philadelphia C. Of C.

John A. Diemand, president North America, will receive the William Penn award of Greater Philadelphia Chamber of Commerce at a dinner in Philadelphia Nov. 10. The award cites Mr. Diemand for his outstanding contribution to business and for his service to the community.

The presentation will be made by Frederick A. Potts, president Philadelphia National Bank.

Traders & General Names 2 Special Agents

Traders & General has named two special agents: William G. Dodd at Houston and Albert L. Voss at New Orleans. For the past several years Mr. Dodd has been associated with his father in the Dodd-Mitchell agency at Brownsville, Tex. Mr. Voss has most recently been a local agent.

GAB Changes In Fla., Ga.

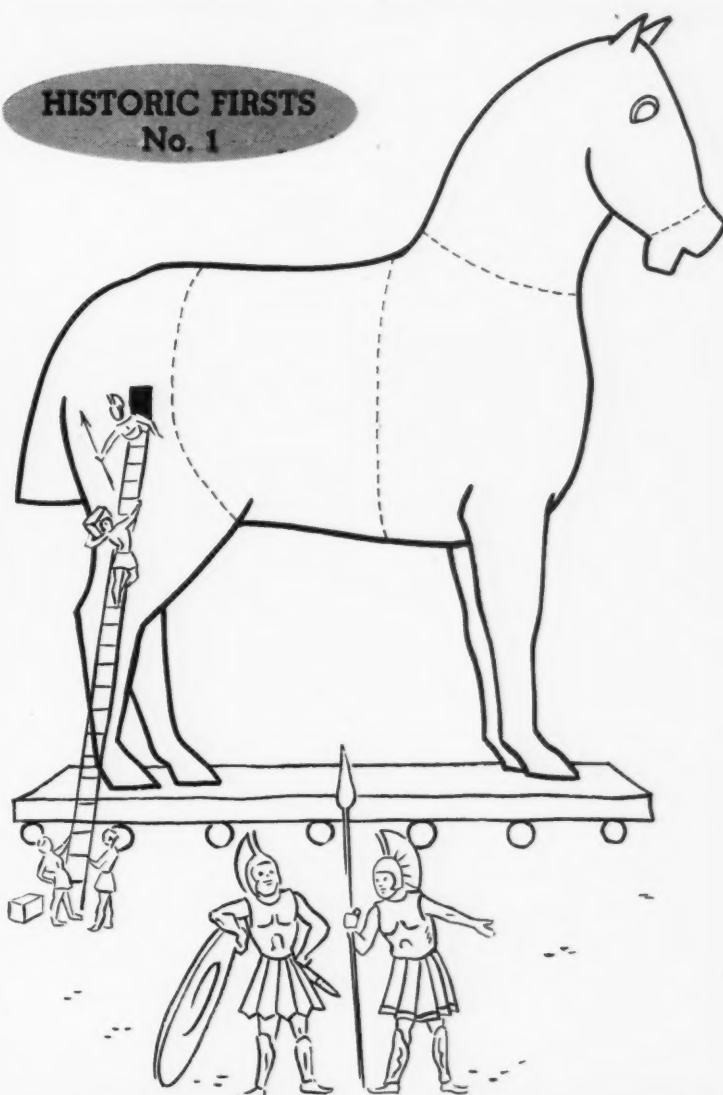
General Adjustment Bureau has promoted John J. Marien from adjuster in charge to manager at Panama City, Fla., and Latimer C. Farr Jr. from adjuster in charge to manager at Ocala, Fla. The Ocala office has been moved to 8 North Main Street.

GAB has opened a new branch at Marietta, Ga., and has appointed D. C. Suessmith manager there. He was formerly senior adjuster at Atlanta.

Mezey Heads N. Y. Drive For USO

Albert E. Mezey, vice-president and secretary of Home, has been named chairman of the fire, casualty and marine division of the Greater New York USO campaign to raise funds to expand its services to armed forces personnel in the U.S. and overseas.

HISTORIC FIRSTS No. 1



"TO HELEN, WITH LOVE!"

The Greeks weren't just being coy.

When they finished their over-sized toy

They'd put quickly to sea

For a gift-giving spree

That surely would overwhelm Troy.

Caveat emptor:

So, of gimmicks and gifts be aware;

Look policies over with care.

You may seem to be saving

On insurance you're craving,

But you'll really be up in the air!

Check first with GF&C!

GENERAL FIRE AND CASUALTY COMPANY

(A Multiple-line Stock Company)

Home office: 1790 Broadway, New York 19, N. Y.



Philadelphia	Newark	Chicago
Pittsburgh	Minneapolis	
Jacksonville, Fla.	Lexington, Ky.	
Ruston, La.	Coral Gables, Fla.	

Insurance written through agents and brokers only.

Says Rate Laws Promoted Record Growth

(CONTINUED FROM PAGE 2)

made in the rating laws, that the industry like the regulators recognized they were in a trial and error period, and that there was no pattern of experience that conclusively indicated the nature of the changes to be made."

Commenting that enactment of the rating laws put the states into the field of fire and casualty rating within an unusually short time, Mr. Gerber said the execution of this unexpected

responsibility has been excellent if it is to be judged on the record of growth, particularly of small companies. In a tendency toward big business, in fire and casualty the number of companies under state regulation has grown "fantastically in number and financial strength" since 1946, he said. Of approximately 1,200 fire and casualty companies in business today, 343 were established since 1946.

"Thus, with an expanding economy

and a growing need for more insurance coverage, it can be stated with assurance that state regulation did not place barriers in the way of new entrepreneurs determined to succeed in the fire and casualty field. What other American enterprise can reflect so astounding a record from 1946 to 1959?"

One of the more challenging charges raised against the system has been that of harassment. This has come from the independents and the deviators who charge that the rating laws permit competitors and regulatory agencies to stifle competition by use of the ag-

grieved party and deviation sections.

Granting that there have been situations constituting delay and even harassment, Mr. Gerber pointed out that in 1948 the combined total of deviations and independent filings throughout the U.S. was 1,028. Ten years later the figure was 6,385, a percentage increase of 521. From 1948 through 1958 a number of hearings requested by competitive bureaus involving independent and deviated filings numbered 252, and many of these were called by the states as required by statute. Of the 252 hearings, 178 were conducted in one state alone.

Not Spared Irritation

At the same time, Mr. Gerber remarked that the regulators have not been spared provocation and irritation. "Their days have not been without disappointment and unjustifiable censure. The press, municipal and state legislative bodies and the public generally have castigated, investigated and litigated where rate problems are concerned. Rate increases have caused banner headlines to replace matters of world-wide implications."

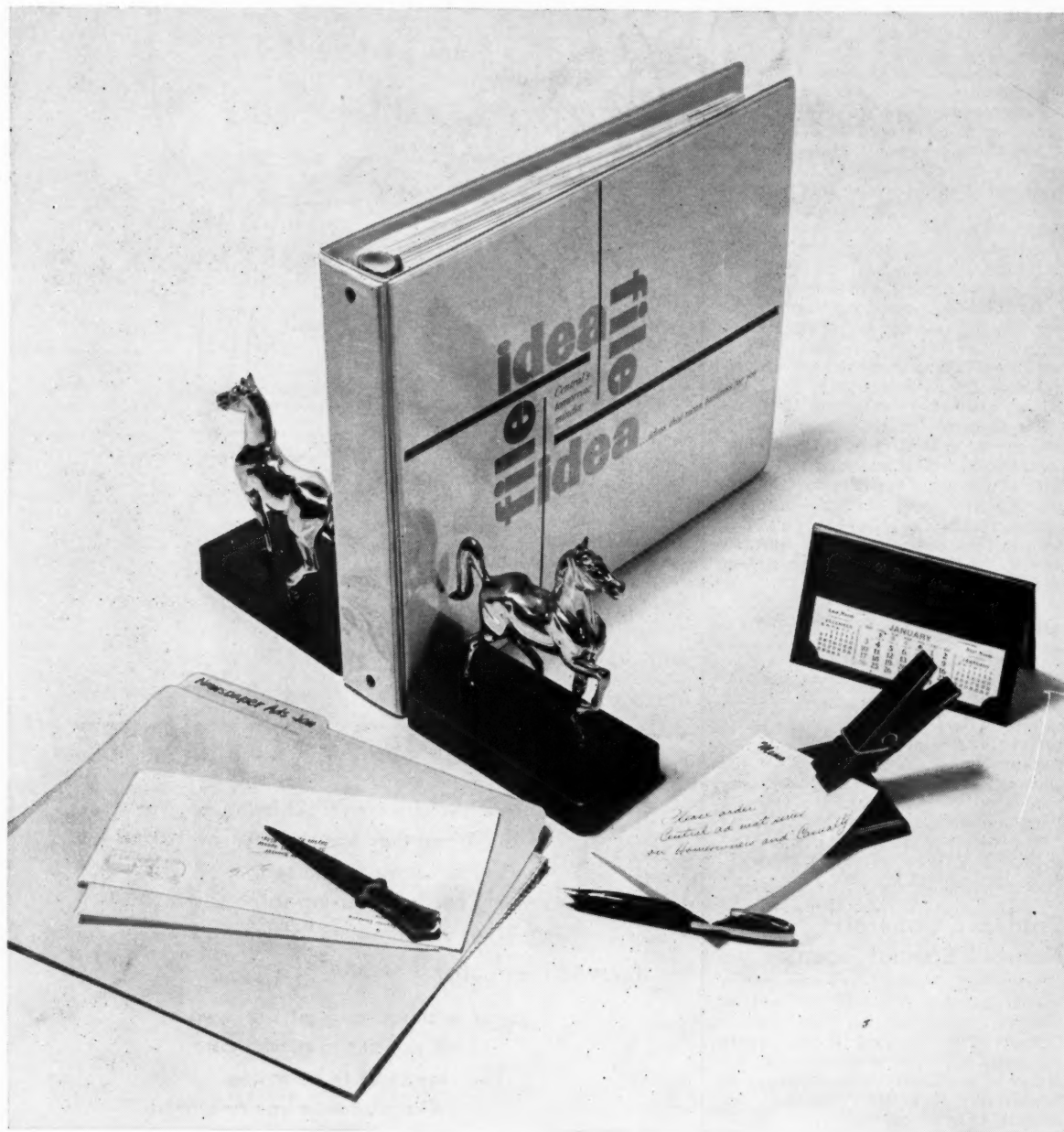
The statistics on rate deviations, he said, do not in his opinion warrant the charge that there has been harassment to such a degree that the state regulatory system has been remiss in its responsibilities and has failed to permit free competition through the medium of deviation and free competition. Within the past decade has occurred the greatest development of package policies that the fire and casualty industry has offered to the public; new rating programs and new rating plans have been approved; the independent and deviating companies give every indication of confidence in the future of their business by considering innovations and modifications constantly. "This reflects little discrimination by the present system of regulation against deviators and independents. It reflects spirit and hope in the system under which they are functioning."

Status Quo For Many Years

Mr. Gerber said that for many years the bureau companies maintained the status quo, and the new methods adopted by the independents and deviators have made it necessary for the standpatters to revise their thinking. Many bureau companies have charged the states with favoring independent companies and refusing to permit bureau companies the same degree of liberality in filings, but, he observed, the fact is they are hampered by their own rules. Some companies have withdrawn from the bureaus in order to deviate in rates and forms, and the extent of this action will determine the future of rating bureaus and the nature of their existence. This can pose a grave problem, Mr. Gerber said. Serious consideration must be given to the impact of rating bureaus and the entire field of rate regulation. There have been suggestions offered of means and methods to replace rating bureaus if they should expire. Several statistical organizations are extending their authority to a national scope "perhaps in anticipation of the needs of tomorrow."

The short period of time in which the states have to adjust themselves to the assumption of rate responsibility caught them shorthanded in manpower, Mr. Gerber commented. Departmental appropriations failed to keep pace with the new responsibilities. On top of this it has been complained that political expediency has entered the rating picture.

On the latter point, Mr. Gerber said what is often declared to be expedi-



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ency is in fact conduct within the contemplation of law. Many filings fail to contain statistics deemed necessary to satisfy statutory requirements. He said a typical example is the provision which permits consideration of past and prospective loss experience within and without the state. What past and prospective experience is to be considered? What other states are to be considered? Does the filer have the privilege of determining the territories as well as the degree of past and prospective experience. The vagueness of language, Mr. Gerber remarked, is confusing and frustrating to the reviewer of such filings.

Fills Serious Charge

Perhaps the most serious charge leveled against state regulation is that the states have assumed a far greater degree of authority than was intended by the drafters of the all-industry law and by Congress when it enacted public law 15. When the all-industry law was drafted, Mr. Gerber said, it would appear that regulation generally and rate regulation specifically was to be an affirmative action. This was expressed most emphatically. But now there are numerous opinions as to what constitutes affirmative regulation, and the years ahead will be a testing ground to determine the degree of rate regulation necessary to meet the requirement of affirmativeness.

Royal-Globe Names Broski At N. Y., Two In Field

Royal-Globe has named Robert H. Broski automobile manager of the casualty underwriting planning department at New York. He succeeds Frank G. Holzhauer, who was named manager of the "Red Shield" auto department when it was organized several months ago. Mr. Broski, with the group since 1949, was formerly casualty manager in Cleveland.

Ronald F. Tuite, special agent at Detroit, has been promoted to state agent.

William L. Hester has been named supervising state agent for west Tennessee with offices at Memphis. He succeeds O. L. Dobbs who has retired after almost 45 years with the company. Mr. Hester will be assisted by Eli Whitaker who was advanced from special agent to state agent in July.

Charles M. Wheeler Jr. has been named special agent at Rochester, N.Y., where he will be associated with E. C. Ehrlich, state agent.

Jack Schiffer has resigned as special agent at Seattle for America Fore Loyalty group to join his father in the W. E. Schiffer agency at Oswego, Ore.

Three Named To New Posts At Home Office Of Lumbermens Mutual

Three new vice-presidents have been elected at Lumbermens Mutual at Mansfield.

Eugene V. Bradley becomes vice-president-underwriting, and assumes the duties of underwriting manager. He has been with the company since 1948, most recently as manager of the inland marine department.

Harry L. Ebe is elected vice-president-marketing to head up the marketing division. He has been in the business since 1947 and joined Lumbermens Mutual in 1956.

David W. Evans, vice-president, will



H. L. Ebe



D. W. Evans



E. V. Bradley

in addition to his duties as chairman of the operations committee, serve as executive assistant to the president. He has been with Lumbermens Mutual since 1948 and for the past several years has been agency vice-president in charge of the local agency division.

Succeeding Mr. Evans as head of the local agency division is L. G. Toms, who was named agency director. He has been with the company since 1950, starting as field representative. He opened the Los Angeles branch in 1951 and was manager until returning to the home office in 1959 as assistant agency supervisor.

Named To Kemper Junior Board

R. L. Cossart, assistant secretary James S. Kemper & Co. agency; John Van Cleve of the agency production department in the home office, and O. F. Browder Jr., workmen's compensation underwriter, have been elected to Kemper group's junior board, which is composed of 11 members who study management problems and make recommendations to management. Roy J. Hammond, an attorney in the claim

training department and John S. Loquidis Jr., a procedures coordinator, have been elected secretary and assistant secretary, respectively, of the junior board.

Standard Accident Moves Thayer To Indianapolis

Standard Accident has named William A. Thayer associate manager at Indianapolis. He formerly had charge of the Louisville office.

Mr. Thayer began his insurance career in 1937 as an automobile underwriter with Employers Liability. From 1940 to 1942 he was with Massachusetts Bonding and in 1946 he joined Security as an automobile underwriter. Transferred in 1948 to Louisville, he joined Standard Accident in 1958.

Tri-State Mutual Agents Assn. of New York, New Jersey and Connecticut will hold a two-day sales training conference on Oct. 31 and Nov. 1. Merrett-Adams Sales Training Institute will conduct the conference at the Hotel Concord, Monticello, N. Y.

Hartford Accident Has New A&S Plan For Firms With 5-24 Employees

Hartford Accident has introduced an employee disability protection plan for businesses with from five to 24 full-time employees. It will be written in all states except New York and Colorado.

Unlike group insurance where a master policy is issued for all employees, coverage under the new plan is written on the individual employee. Premiums are paid by payroll deduction.

The program offers broad protection for employees and their families and covers non-occupational injuries and sickness not covered by workmen's compensation. The employer selects the basic plan or combination of coverages and the employee decides on the amount of insurance according to the limits of the policy.

The plan provides several combinations of A&S coverages for employees and their families. Coverages include hospital, surgical, physicians visits, major medical expense, total disability income, and accidental death and dismemberment.



your teeth when you have a hard-to-place risk. Call or write

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- For: 1. Hard-to-place liability and physical damage insurance.
2. Owner-operated trucks and small fleets.
3. Long haul truck liability and physical damage insurance.
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Insurance on admitted basis or surplus line basis. For any auto insurance problems, call or write James Duduit, Vice President.



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Says Doctors Should Not Be Made Scapegoats In Medical Care Abuses

When the money to pay bills for health care does not come directly from the patient's pocket but from an insurer, the patient is willing to pay a higher fee, and the type of doctor who is not bound by "ground rules" goes the limit, in the view of Dr. Frederic E. Elliott of Brooklyn, N.Y. Dr. Elliott was chairman of the committee which

formulated article 13A of the New York workmen's compensation law to correct WC abuses and which developed the state insurance code section 9C, dealing with voluntary doctor care coverage.

Dr. Elliott believes that there is a certain percentage of undisciplined persons—patients or doctors—who fog

the climate of medical care insurance. They provide a bad example for still others who are tempted to "get away with excessive fees."

Before the doctor is cast in the role of a villain, it might be well to survey the conduct of others, particularly insurers, with respect to their motives, their contracts and their methods, he said. The idea that doctors can and will police badly drawn contracts to protect the interests of insurers will never come up to expectations. Policing is not a part of the doctors' practice. If pressed for opinion or inter-

pretation of a contract, he will invariably side with his patient. This is a general instinct when the interests of an individual and a corporation are in conflict.

There was a time when the quality of doctor care varied within the different environments of practice, but this is no longer true, in Dr. Elliott's view. Modern medical education and training have become standardized, and the same need is met with the same knowledge and skill everywhere, subject only to the difference inherent to individual abilities.

Specific Contracts

Standard nomenclature now makes possible the identification of a service which provides for further progress in the specification of "insured benefits." The more specific and the less vague the terms of contract, the less opportunity for abuse, he noted.

Dr. Elliott thinks the day is past when doctor-care contracts should contain coinsurance and deductible clauses. They are unnecessary to control honest persons, and they will not restrain others.

The major medical contract is another misadventure, in Dr. Elliott's opinion. If contracts are written to look like Christmas trees, loaded with gifts, it must be expected that they will be raided by patients and their doctors. These contracts are gilt-edged invitations for claims implying that even ordinary care is unusual and properly entitled to extraordinary benefits.

Up to the present, A&S and similar contracts have undertaken the impossible task of providing a doctor-care contract which is not susceptible of abuse. Too many think that doctors should exterminate the bugs germinated in the insurer's contracts.

Purposes Of Programs

He thinks the closed panel type of insured medical care rests for its success upon self discipline, because the costs of abuses fall directly upon the participating doctors. Some of these

(CONTINUED ON PAGE 37)

Name Speakers For More N. Y. Agents Regionals

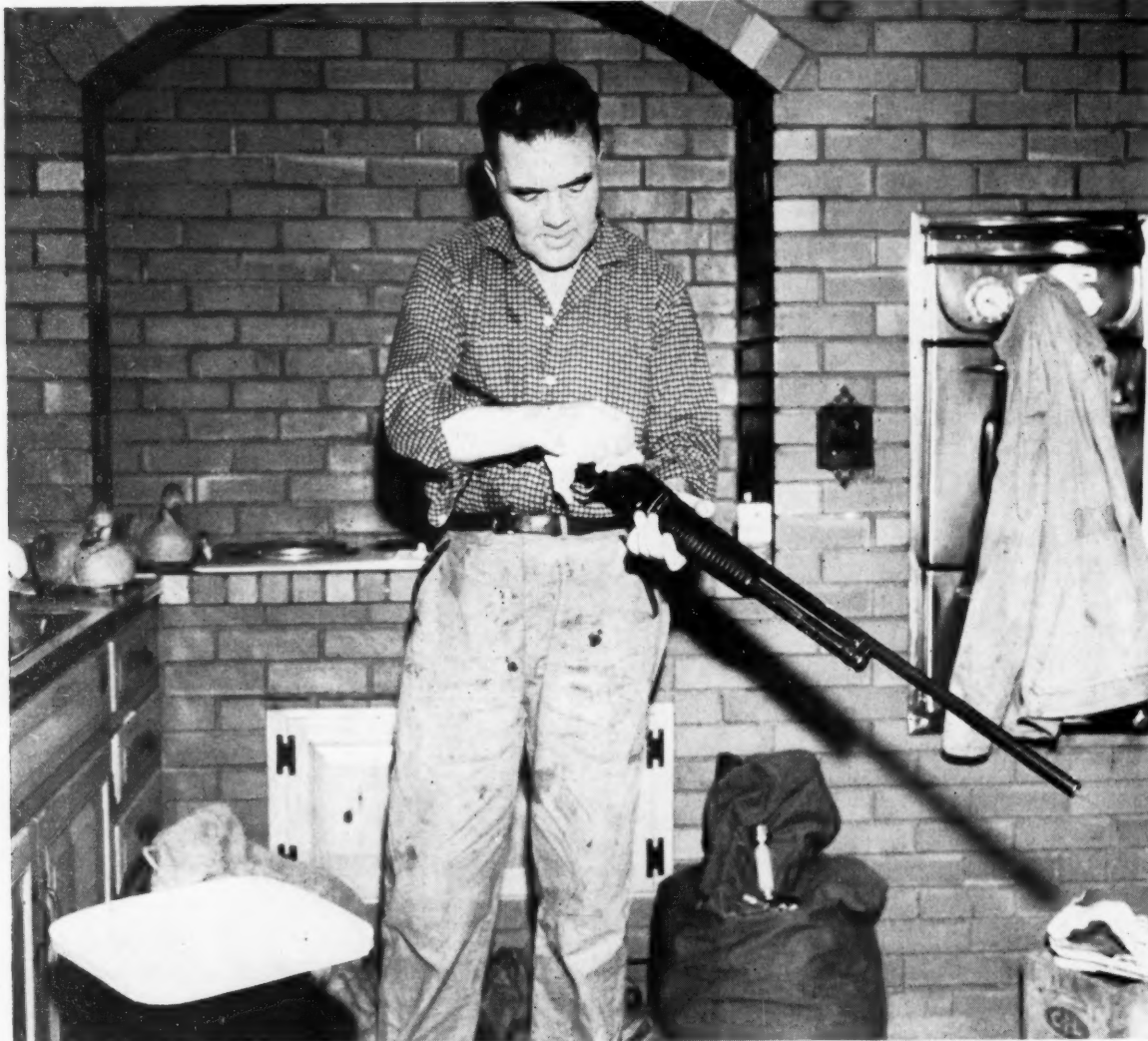
Continuing its series of regional meetings, New York State Assn. of Insurance Agents will hold meetings at Poughkeepsie Oct. 26 and Binghamton Oct. 27.

The meetings will open with luncheon at which Robert B. Douglass, Potsdam, president of the state association, will discuss problems in the business, and Arthur L. Schwab, Staten Island, will discuss legislation.

James R. Mathews, director of advertising and public relations of NAIA, will speak on advertising, and Kenneth Rogler, assistant manager of the auto division of National Bureau, will discuss a "new look" in the assigned risks.

The Poughkeepsie meeting will have a panel discussion with Craig Thorn Jr., Hudson, and C. Harvey Kelley, director of research and development of NAIA. They will speak on the ideal agency and how to improve profits. Matthew Lampell, Poughkeepsie, will take over Mr. Thorn's role at Binghamton and join Mr. Kelley in the panel discussion.

A talk on FS forms will be given at both meetings by Elsa MacDonald of the state motor vehicle bureau. A comparison of dwelling policy coverages will be given at Poughkeepsie by Richard Vorhees, Royal-Globe, and at Binghamton by C. L. Newman, Commercial Union.



Good Hunting!

Start with careful planning and preparation, add a large measure of enthusiasm and perseverance, a dash of luck, then shoot straight and you'll "bag your limit" every time. This is virtually guaranteed by a man who knows . . . but if you're not a duck hunter, you'll find this same "formula" equally successful when applied to your business. This also is virtually guaranteed, by the same man . . . Fred O. Waller (above), duck hunter of renown and, as head of the Waller Agency, a leading businessman in Galva, Illinois.

Fred . . . who, incidentally, is current president of the Illinois Association of Insurance Agents . . . started his agency in 1930 and, almost from the outset, has been associated with Standard Accident. In selecting the companies he wanted to represent, he looked for "ability, stability, cooperation, understanding and enthusiasm." That

he found all these qualities in Standard Accident is testified to by a Company-agency relationship that has grown and prospered for nearly 30 years.

Specifically, Fred states . . . "The close personal acquaintance and understanding that has existed . . . the friendly, helpful counselling that we have received in our long association with the Standard has made ours a most successful partnership." Or, under the Standard banner, there's "good hunting" for you, too.



SYMBOL OF SERVICE FOR 76 YEARS

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CASUALTY • FIRE • MARINE • FIDELITY • SURETY

AMERICA'S OLDEST REINSURANCE GROUP

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State Farm Mutual To Decentralize Offices At Toronto, Columbia, Mo.

Two more State Farm Mutual regional offices have been converted to the management decentralization plan. Toronto and Columbia, Mo., will change operations Jan. 1.

Regional vice-president at Toronto will be Irvin E. Tone, presently provincial agency director for State Farm in Canada. Arthur Brenneman, now deputy regional vice-president at the mid-Atlantic office at Springfield, Pa., will be regional vice-president in the Missouri office.

Deputy regional vice-presidents in Toronto will be Mark I. Ashley and Melvin L. Chapin. Charles L. Beadles and Frank Stonner will hold similar posts in Missouri.

Mr. Tone joined State Farm as an agent in Phoenix in 1951. He became district manager the following year and held that position three years before becoming state director. In 1958 he went to Canada in his present position.

Mr. Brenneman began his State Farm career in 1946 as an adjuster in Bloomington, Ill. After serving as assistant property claim superintendent, he was named assistant division manager in 1954. A year later he became division manager and in 1958 moved to mid-Atlantic as deputy regional vice-president.

Mr. Ashley has been with State Farm 26 years; Mr. Chapin joined State Farm in 1941; Mr. Beadles started with the company in 1933, and Mr. Stonner in 1930.

NAIA Speaker's Manual, Information Booklet Ready

National Assn. of Insurance Agents has issued a speaker's manual and a 16 page, two-color illustrated pamphlet outlining the scope of NAIA activities as well as its background, organization and future goals.

The speaker's manual includes guides for speakers, basic facts about the agency system and NAIA, a list of reference sources and five original speeches. The speech topics for presentations to local civic and business groups cover the field of fire safety, accident prevention, rates, careers in insurance and services of stock companies. Additional speeches will be issued periodically to keep the manual current.

The new pamphlet and manual are available to state associations, local boards and NAIA members.

Allstate Names Six

Allstate has made six executive appointments. Nevin J. Rice becomes manager of the Jackson, Miss., regional office. He previously was manager at the Charlotte, N.C., regional office.

Thomas H. Cole has been named services manager, east central zone, Murray Hill, N. J.; John E. Pletz sales manager and Robert W. Heard sales development manager, both in the Dallas regional office; C. Gerard De-Young, is the new district sales manager at Murray Hill, N.J., and Herbert V. Daniel is assistant claim manager at Atlanta.

Schloss Actuary Of Royal-Globe

Harold W. Schloss, secretary Royal-Globe, has been given the additional title of actuary. He joined the group in 1946 in the actuarial department and was promoted to superintendent of the department in 1950. He was named a secretary in 1957.



● Direct mail is the selective, most checkable advertising medium of all. It can do a big job for the qualified producer; moreover, used with selling sense, it can prove the least costly form of advertising.

One way to find out is to get your selling picture in focus. Where can direct mail be used to support your personal selling and agency sales promotion—

You can be sure that your client list has special interest for competing agents. On their way, right now, are mailings that detail new coverages—new ways to buy, and more economically—other "rea-

sons why" your clients may be better served by another agency.

Perhaps it's time to put some well-planned mailings into the hands of your clients and prospects. Mailings with the professional stamp which represent you favorably. You'll find a representative showing of them in Grain Dealers' 1960 mail promotion kit. Our special agents want to show it to you; better yet, how to put direct mail to work where your sales potential is best.

Let us know where you're located; when we can call.

Grain Dealers Mutual INSURANCE COMPANY

Indianapolis 7, Indiana

Western Department: Omaha 2, Nebraska

FIRE • CASUALTY • AUTOMOBILE • INLAND MARINE

CUSTOMERS DEPEND ON THE BIG "U"... AND YOU!

For over half a century, National Union—the big "U"—has dealt only with independent agents. It continually reminds its policyholders:

You are wise to place your insurance through an independent agent . . . Your policy includes, at no extra cost, all the invaluable services that only an independent can provide.

NATIONAL UNION
INSURANCE COMPANIES
Pittsburgh 13 Pennsylvania

FOR INTELLIGENT
REINSURANCE ANALYSIS AND

* Service beyond the treaty

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Charles A. Pollock, Jr.
PRESIDENT

All Lines Insurer, Variable Annuity, And Trust Combination

(CONTINUED FROM PAGE 7)

growth and a reasonable income return. It has done well by its stockholders. Launched at a share price of 9/6d (\$1.33), it rose on the open market to 18/ (\$2.52), at which time the shares were split three for one. The current price is about 7/ (\$0.98) per share, after the split, which is equivalent to 21/ (\$2.94) for each original 9/6d (\$1.23) paid for them by the original investors. This represents a profit of well over 100%. The shares are now on a 3.3% gross (before taxes) yield basis, and the original shareholders received for the past year about 7.8% gross on the amount they invested.

Unicorn Trust has two special features: First, a savings scheme with a minimum subscription of 10/ (\$1.40) which permits the purchase of single Unicorn shares from time to time on a pay-as-you-go basis that is well suited to the British temperament; and secondly, its link with the project known as Equitas (endowment insurance), operated by the London & Edinburgh Ins. Co., the purpose of

which is to combine the advantages of a typical endowment insurance policy with those of an investment well spread among industrial equities.

Equitas Has Face Value Minimum

There is one fundamental difference between Equitas endowment policy and the American variable annuity. Under the Equitas plan there is a floor, but there is no ceiling.

Equitas endowment insurance guarantees the payment of the full sum insured either upon the insured's survival to the maturity date or upon his earlier death. The difference between this and other regular endowment plans is that, under Equitas, a proportional part of the sum insured is assumed to have been invested in Unicorn shares at approximately the dates of payment of each premium. If at maturity or on earlier death the aggregate value of the Unicorn shares assumed to have been purchased shows an appreciation in value, that appreciation is added to the amount of the sum insured. Should there be a

depreciation in value of the shares, however, the sum insured is not reduced.

The project does, of course, have problems that are not present in ordinary insurance. One of them is that the insurance company must invest in Unicorn shares or equivalent underlying securities. But since the company gives to the policyholder the benefit of any appreciation in share value, it cannot count upon that appreciation, as other companies do, to meet the contractual claim for the basic sum insured. All that the company receives for building up Equitas reserves is the income collected and accruing on the investments in the meantime. Since the typical investment yield ordinarily enjoyed by a life company is not available to it, Equitas must charge a premium somewhat above that required for a non-variable endowment policy.

Safety Factors

The higher premium charged for Equitas is expected to offset what otherwise could very well be an insurmountable hazard. The life company and its policyholders are further protected by the spread over the years of the company's obligations and by its central and general reserves held as a final defense for hazards of an as yet imponderable nature. Additionally, according to Mr. Stewart, Equitas adheres to the cardinal principle that its scale of operations must be kept within prudent limits dictated by the company's available reserves.

Guarantee of the face value "floor" for Equitas variable insurance naturally adds a hazard that is not present in the variable annuity or in a non-variable endowment policy. Heavier reserves are required for it than would be necessary without the Equitas feature. Precisely how heavy these reserves must ultimately be will be known only as a result of years of experience, as is the case with all new forms and risks in all branches of the insurance industry.

In the meantime, according to the sponsors of the project, the free reserves of the company would be used if at any time it were necessary to supplement the life fund created by the premiums or the Unicorn stock which represents the investment of the Equitas premiums.

Surrender Value

Equitas has a surrender value comparable to that of any regular endowment policy. And the discount on surrender will be as considerable as it is on other endowment policies, so the

company is protected in that respect. It would hardly pay to surrender an Equitas policy merely because Unicorn shares are currently high and policyholder thinks that they might, in the future, fall.

An Equitas policy, like any other, is suitable security for a loan. But, unlike other policies, it cannot be made subject to a policy loan in any ordinary circumstances by the life company concerned, for that would sacrifice its inherent character.

An Equitas policy requires the investment of the reserves by the insurance company in Unicorn shares or the equivalent. This precludes the investment of those same reserves in policy loans. Funds can be made available for policy loans against Equitas policies only in the most unusual circumstances and to a very limited extent.

Equitas, for the same reason, incorporates an automatic paid-up policy condition effective when premiums are not paid, instead of the premium loan, non-forfeiture conditions, often favored on other policies.

Extending Horizons

From a life company's point of view, managing a portfolio of Equitas policies provides some interesting technical and accounting problems. Just how ought the policies to be valued? How should the published accounts show the claims paid out of the capital profits that are fundamental to the whole scheme?

These are wholly new problems. They have been brought into being by the new features of Equitas, and it will be interesting to see how they, and other questions that are sure to arise, will be answered.

Some companies view the Equitas plan as a dangerous voyage into unknown and uncharted seas. Others, not willing to pass it up altogether, rely upon privately invested funds of their own for measurement of share value appreciation and income, or operate an installmen-endowment plan of which the benefit is the selected unit trust shares fully paid at the maturity of a policy or the earlier death of the insured.

Only the London & Edinburgh, in all of Britain, has put into effect the concept of an endowment variable insurance related to an independently operated though commonly controlled open end unit trust, guaranteed to pay in one sum only at maturity or death not less than the face value of the policy.

Compensation Rating & Inspection Bureau of New Jersey will continue the present manual of rates in force without change after Jan. 1, 1961.

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Weaver To Pittsburgh For General Of Seattle

General of Seattle has appointed Allan G. Weaver manager at Pittsburgh, effective Jan. 1, 1961. He entered the business with Dewick & Flanders, Boston agency, in 1950. Subsequently he was a claims representative of Providence-Washington and special agent of Phoenix of London before joining General where he became sales representative in central Massachusetts and New Hampshire.



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Mahn In Sales Post Of Springfield-Monarch

C. Hohman Mahn, secretary and former sales manager of the eastern departmental office of Springfield F&M., has been promoted to the home office sales staff. He will supervise the managing general agencies and the training program for agents and field men of the group.

Mr. Mahn was a local agent in Missouri before joining Springfield F&M. in 1923 as a special agent in Missouri. He became Missouri state agent before he was transferred to the home office in 1951 and elected secretary.

Mr. Mahn is a past president of Missouri State Fire Prevention Assn. and Missouri Fire Underwriters Assn.

Lawyer In Mich. Farmers' Mutual Case Reinstated

LANSING—Memories of the protracted litigation which marked efforts to collect assessments from members of Lapeer Farmers Mutual Fire, which failed in early depression days, were stirred during the past week with reinstatement to practice of Walter O. Estes, one of several lawyers who represented policyholders in fighting the Michigan department and a succession of receivers.

Mr. Estes was suspended from law practice in 1952 after a panel of judges had held that he used completely intemperate language in criticizing the courts, because they had invariably ruled against his clients. He carried his original suspension of one year all the way to the U.S. Supreme Court but failed to get the edict reversed. Finally he applied for reinstatement but the state bar grievance committee held he failed to show "genuine remorse" for his earlier conduct and his plea was rejected.

A visiting panel of judges reviewed that decision and reversed it but not until they had chided Mr. Estes, in effect, for his continued effort to have his original suspension set aside. Even at the final hearing, he told the panel he would not retract all of his original statements for "it would be a lie if I did."

The late Clinton C. Gilliland led the policyholder battle, organizing resistance to assessments to the point that several wealthy farmers lost their properties by default rather than pay assessments. Mr. Gilliland eventually went to prison on a conspiracy charge and died there.

Seeks Court Rehearing Of Ga. Auto Rate Rejection

National Bureau has filed a motion in Fulton county court (Ga.) for a rehearing of its application for an 8.4% increase in automobile liability rates in Georgia. The court earlier supported Commissioner Cravey's rejection of the increase.

The bureau is seeking to file a supplemental brief. The rehearing is expected before the end of October.

New Nashville Office To Be Built For Travelers

Travelers will take a long-term lease on an office building to be constructed in a redevelopment area in downtown Nashville. It is expected that ground-breaking ceremonies will be held about Dec. 1, and that the building will be ready for occupancy next July.

The site is at James Robertson Parkway and Gay Street. It occupies about 30,000 square feet of land.

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Court Finds Cleveland Board Mutual Rule Reduced Opportunity

(CONTINUED FROM PAGE 10)

Ohio court might find non-assessability non-inviolable; but Judge McNamee said it would be inappropriate for him to hazard a guess on the probable attitude of the Ohio courts when and if the question is presented to them. However, the decision in the only reported case dealing with the question is adverse to the board's contention, and weakens the force of argument in justification of the mutual rule.

However, at the trial, the board no longer admitted that the mutual rule was a concerted refusal to deal. It took the position that before joining the board each member made an individual determination to sell stock insurance exclusively and that the aggregate of such individual determina-

tion as represented by the board membership did not constitute a combined or concerted refusal to deal with mutual companies. The board conceded that it takes concerted action in relation to its educational courses, its action on legislative matters and in rendering assistance to the department of insurance, but no concerted action is directed against mutual companies, it was argued.

Maintained Original Position

The government adhered to its original position that the mutual rule was a concerted refusal to deal, and as such is illegal per se. Thus the issues were: Is the mutual rule illegal per se as a concerted refusal to deal with or a boycott against mutual companies? and

if the mutual rule is not illegal per se, do the facts show that the purpose or effect of the rule is to impose an unreasonable restraint of trade in interstate commerce?

In relating the facts, the court commented that the Cleveland board is a non-profit corporation. Established in 1846, it is undoubtedly the oldest trade organization in Cuyahoga County. Its membership consists exclusively of independent fire and casualty insurance agents doing business in Cuyahoga County who operate under the American agency system and represent only stock insurance companies. Its present amended articles of incorporation reaffirm the purpose to foster and preserve the stock ownership principle and the American agency system.

In addition, the board engages in other activities. It has been its policy to promote and elevate the professional standards of its members and agents generally. It conducts educational classes in insurance available to board and non-board members alike. It has a program of assisting the superintendent of insurance in the enforcement of relevant statutes, and collaborates with the state association of insurance agents in advocating and opposing legislation affecting the insurance business.

Mutual Rule Given

The mutual rule provides that members:

"Agree to have and maintain the following qualifications for membership, namely: . . . (c) represent and continue to represent as agents only capital stock insurance companies . . ." (Article 111, Sections 4c, 5c and 6c).

Since abandonment of the in-and-out rule in 1953, a member of the board who decides he does not desire to continue selling stock insurance exclusively may resign his membership, accept representation of mutual companies and continue to represent those stock companies which he represented as a board member. An independent agent who represents stock companies exclusively is free to join the board or not as he chooses. If he becomes a member of the board he may, with complete freedom of choice, decide to represent mutual companies and resign his membership. By withdrawing from the board a member suffers no economic loss whatever and, in many respects, his competitive position is improved. There is no evidence disclosing that the board exerts any pressure or coercion to prevent a member from exercising his judgment

freely to resign his membership and represent mutual companies.

There are three classes of independent insurance agencies, the court noted—stock, mutual and mixed. There are 3,288 active agents in Cuyahoga County, of whom 775 are members of the board. Of the remaining number, 263 are employee-agents of direct writing mutuals, and 2,250 are stock and mixed agencies who are not members of the board.

Twelve Officers Testify

It was shown by the testimony of officers of 12 mutual companies at the trial that their companies were in good financial condition and that each operated under the agency system. Special field agents of such mutual companies gave testimony of their efforts to persuade members of the board to represent mutual companies. They testified that in nine instances their efforts met with failure.

On the other hand, the court said, there was evidence of members of the board resigning their membership to accept mutual representation and of other members retaining their membership, with the permission of the board, while representing mutual companies. In those cases board agents had accepted mutual representation on a trial basis and were permitted to retain membership in the board pending a final determination whether to accept mutual representation permanently. Some of these agents eventually relinquished their membership and assumed representation of mutual companies while others decided not to represent mutual companies and retained their membership in the board.

"That these agents were restrained from promptly accepting or rejecting mutual representation by a desire to retain board membership seems evident," Judge McNamee said. "But it is apparent also that the ultimate choice made by such agents was uninhibited by any coercion or fear of economic sanction."

Met With Rejections

Field men of mutual companies seeking new agencies also met with rejections from non-board agents. The court remarked that it did not appear that the rejections from board members were proportionately or numerically greater than the rejections of the various types of non-board agents. A variety of reasons were given by all agencies for their refusal to accept representation of mutual companies. Some board agents who refused representation of mutual companies assigned their membership in the board as the reason, but indicated that if the mutual rule were changed they would reconsider. Other board agents who gave the

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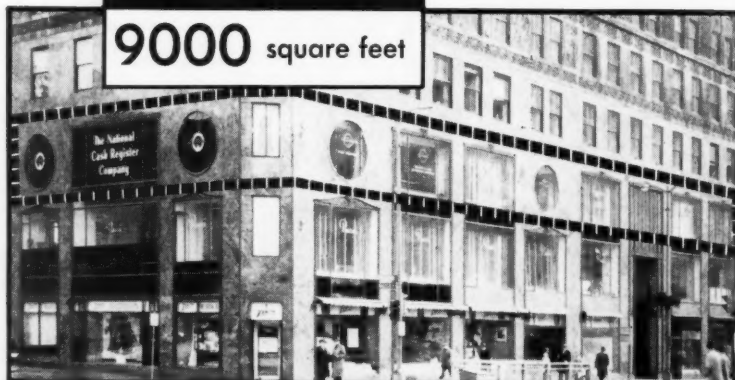
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same reason for refusing mutual representation apparently were motivated by their preference for stock insurance.

It was also shown that some mutual companies, because of their erroneous belief that the rules of the board were as stringent as they were prior to 1953, engaged in no solicitation of board members. In 1953, when the jurisdiction of the board was enlarged to include casualty insurance, 46 members were engaged in selling mutual casualty insurance. Some of these members resigned and continued to represent mutual companies while others cancelled their contracts with mutuals and retained their memberships. Others sought and obtained permission of the board to continue representing mutual companies temporarily while retaining their memberships.

Desired Representation

Representatives of the mutual companies testified that they desired representation in Cuyahoga County by agents who also sold stock insurance. It was shown that most of the agency mutual companies did a substantial volume of business in Cuyahoga County and in recent years their premium volume in such county increased materially. In practically all such cases there were substantially higher proportionate increases in Cuyahoga County than in the other major counties of the state.

"It was not shown that mutual agents, stock agents or mixed agents were injured in any way by the operation of the mutual rule. Nor was there any evidence of damage sustained by any mutual company," Judge McNamee commented.

The evidence did not show that

mutual insurance sold through independent agents costs less than stock insurance, the court said. Members of the board gain no financial advantage in dealing exclusively in stock insurance. "It is their belief, however, that stock insurance provides a superior form of indemnity."

Involves No Conspiracy

This case, Judge McNamee noted, involves no conspiracy between suppliers of insurance and the board or its members and the government did not intimate that such a conspiracy existed. The evidence did not show that mutual companies sustained a loss of profits. "On the contrary, agency mutual companies doing business in Cuyahoga County have prospered. There is no evidence that board members derive any financial advantage from the operation of the mutual rule nor is there any evidence of coercion of board members or mutual companies."

The government contended that the absence of coercion was irrelevant, but the court rejected this argument. It has been settled that the Sherman act prohibits only undue or unreasonable restraints of trade. In anti-trust cases, therefore, the degree of restraint is always a critical factor. Coercive economic pressure affects the degree of restraint and is frequently, if not always, a distinguishing characteristic of concerted refusals to deal that are conclusively presumed to be unlawful. The presence or absence of such element, therefore, would seem clearly to be relevant to the issue whether the restraint of a concerted refusal to deal is unreasonable per se.

If the mutual rule imposed economic sanctions for its violation, the degree of restraint upon the members of the board would be accentuated and, Judge McNamee observed, it cannot be doubted that in such event the government would contend that the coercive effect of such sanctions was relevant to the issue of per se illegality.

Not A Refusal

In support of its contention that the mutual rule was not a concerted refusal to deal, the board said that before entering the board, each member made an individual determination to sell stock insurance exclusively and that the aggregate of such independent decisions as represented by the membership of the board did not constitute a concerted refusal to deal with mutual companies. This argument, the court said, takes no account of the fact that at the time he joins and during the period of his membership, an agent becomes and remains united in purpose with the other members of the board in a common plan to deal exclusively in stock insurance. By their agreement to deal exclusively in stock insurance, the members necessarily and implicitly agree not to sell mutual insurance. By engaging in a course of conduct compatible with the mutual rule, the members of the board participate in concerted action. The effect of such concerted refusal to deal is to exclude agency mutual companies from representation by independent agents who are members of the board.

The government argued that the rule operated to restrain members of the board from accepting mutual representation because of their desire to retain membership in the board, and the government's position is supported by the evidence, Judge McNamee found. Some members resigned from the board and accepted mutual representation. However, other members who placed a higher value on their membership refused to act as agents for mutual companies. The desire to

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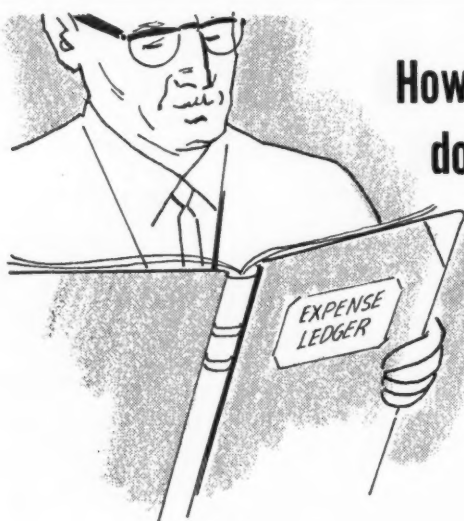
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retain membership in the board was effective also to cause some of the 46 members who were selling mutual casualty insurance in 1953 to cancel their contracts with mutual companies when the board enlarged its jurisdiction at that time to include casualty insurance.

"That a large body of the membership of the board regards insurance issued on the capital stock plan as the better class of indemnity is clear," the judge observed. "The history of the board is one of long and consistent adherence to the belief that the public interest is best served by selling only insurance issued on the capital stock plan. A substantial body of the membership subscribes wholeheartedly to that belief. It is a fair inference that this substantial group is satisfied with the mutual rule in its present form and will at all times adhere to their agreement to sell stock insurance exclusively. It is for this body of the membership that the defendant (board) speaks in urging the right of board members to associate to foster and preserve the capital stock principle in the insurance business and to promote the other laudable objectives mentioned above."

States Objection

The government said it had no objection to an association of independent agents organized for the protection of their rights under the American agency system and dedicated to fostering and preserving the capital stock principle in the insurance business provided that membership in such an association was not conditioned upon an agreement to sell stock insurance exclusively. Relying in part upon the policy of National Assn. of Insurance Agents, the government contended that an association of stock agents whose members are not disqualified, as such, if they also represent mutual companies, can promote effectively the capital stock principle.

NAIA, according to the findings of Judge McNamee, is dedicated to the furtherance of the stock method of conducting the insurance business but requires as a condition of membership only that a member represent at least one stock company. But, argued the government, a trade association is not privileged to promote its economic beliefs by the adoption of a plan that diminishes the opportunity of competitors of its members to compete in a free market. Such a plan transgresses the Sherman act.

The members of the Cleveland board are independent business men who are associated in a common plan which, the court declared, as shown by the evidence, "is bound to reduce the opportunity of agency mutual companies to sell insurance in Cuyahoga County, Ohio. In the strict sense of the term, board agents do not compete with mutual companies. The latter compete with stock insurance companies and, as already stated, neither the board nor its members have conspired with such insurance companies. Nor has it

been shown that the board or its members gain any financial benefit by selling stock insurance exclusively. While mutual insurance sold by direct writers may cost the policyholders less than stock insurance, the evidence does not show that mutual insurance sold by independent agents is cheaper than stock insurance sold by such agents. Nor has it been shown that agency mutual companies pay less commission than agency stock companies. However, the mutual rule of the board operates to restrict the opportunity of agency mutual companies to sell a competitive type of insurance. The rule narrows the outlets of mutual companies. . . . Each member of the board has the undoubted right individually to refuse to deal with mutual companies but . . ." the demonstrated effect of the mutual rule, the judge found, is to interfere with the competitive efforts of agency mutual companies to secure the most profitable and best established agency representation. "The mutual rule has the further effect of securing the members of the board against competition between and among themselves in the sale of mutual insurance. The members of the board write a substantial amount of the insurance sold in Cuyahoga County through independent agents. The impact upon free competition of their concerted refusal to deal with mutual companies cannot be regarded as insubstantial."

"The effect of the mutual rule is to reduce the opportunity of agency mutual companies to sell insurance in the Cleveland market. . . . It must be held that the group refusal to deal, implicit in the mutual rule, constitutes an unreasonable restraint of trade—that it interferes with the natural flow of commerce and is injurious to the public."

Action Against Two Pa. Agents On Fraud Charges

Two former agents, Jack J. Perrin and Robert J. Tyson of Perrin, Tyson & Co., Philadelphia, have been charged with issuing worthless policies in warrants obtained by the district attorney of Philadelphia.

Investigation began when Samuel Pasternak, a furniture store owner, complained to Commissioner Smith that he could not collect \$100,000 damages under 11 policies covering his store which was destroyed by fire. The two agents' licenses were subsequently revoked.

It is alleged that further investigation showed that the agents issued policies and collected premiums from others without recording the policies with insurers.

National Union Names Lapham At Louisville

Wallace S. Lapham has been named manager at Louisville for National Union. He has been with Home Indemnity.

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Sees Many Causes Of Medical Care Abuse

(CONTINUED FROM PAGE 30)

groups are doing fairly good practice—within the limits of their several talents—with patients going elsewhere for special services and most major surgery. This plan cannot work on a scheme of universal application.

When Blue Shield was launched it was with the idea that the scheduled allowances would relieve 70% of the subscribers of any supplemental payments for necessary care. Private A&S contracts aimed at some such ratio with their "indemnity" features. Neither program now comes even near that objective. When this type of coverage was inaugurated, the sponsors were thinking of help for the lower income groups. Today, he asserted, they are all off the track, trying to provide major or extended benefits for the upper bracket incomes.

The present day buyers of health care insurance are coming to be more aware of the drains of those extra-fee costs. The public has become insurance conscious. Voluntary insurance has stymied the drift to socialized or state-monopoly in the health field for the time being, but hospital care costs are about to breach the dike. The public is now determined to have protection against the costs of needed care, and if the insurance business and the Blue plans cannot arrive at a program which the average citizen can afford, then private enterprise in the practice of medicine and in insurance may become obsolete.

Loaded Hospital Charges

Since doctors are being cited for over-utilization of hospital facilities and are being held indirectly responsible for the rise in Blue Cross rates, it is not out of place to raise a few questions regarding hospitals, Dr. Elliott believes. He wonders why patients who are insured for costs of

hospital care are taxed through the calculation of the per diem charge for education of nurses, interns and resident doctors; care of free patients in the out-patient clinics; part or all the cost of free ward patients; costs for new buildings or rehabilitation of property, and for research, if any.

These are community benefits and their costs should be paid out of general taxes, not from the pockets of sick or injured Blue Cross subscribers, Dr. Elliott maintains.

Have Become Educational

Within the past two or three decades, hospitals have been transformed from institutions dedicated to the relief of the ill and injured into institutions devoted to education, where patients become regarded as teaching material. The pedagog has superseded the authority of the physician. Doctors are rapidly becoming mere technicians with rapidly diminishing or minor authority over what goes on. Demands have even been made that an insured patient, admitted for private doctor care, shall become "material" for resident practice, with payment of the insurance allowances to the operating resident or intern.

One "teaching hospital" recently announced that it would have one intern or resident for each six patients. It takes a lot of "material" to keep such staffs actively engaged, Dr. Elliott observes.

Joins Transportation Underwriters

Transportation Insurance Underwriters of Fort Lauderdale has appointed William J. Harmon special agent in charge of surplus and excess lines. For many years Mr. Harmon was with the Harmon agency of Ashtabula, Ohio. He was president of the agency from 1948 until his recent relocation in Florida.



The new agency office of Archie M. Slawsky of Nashua, N. H., past president of National Assn. of Insurance Agents. The new building is at 90 Main Street, where the building that formerly housed the agency burned down in July, 1959. The attractive new Colonial building houses thoroughly modernized offices and equipment. There is a 56-automobile parking lot adjacent to the structure.

The agency, which has 36 employees and does business throughout New England, is installing closed circuit TV so that a producer on the sales floor who needs information from the record room can get it promptly. The agency also has a "call director" telephone system which provides switchboard type telephone service without a switchboard. For emergencies the agency has two auxiliary generators to provide enough electricity to operate the agency equipment.

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Probe Committee Work As Major Expense

(CONTINUED FROM PAGE 12)

a particular subject should have a place on any committee. It further follows that each should make his own analysis in advance, and that the formal meeting should be concerned with taking the best—not the least common denominator—out of each carefully prepared analysis and then arriving at a group analysis. Agreement on this will lead to a recommendation, involving intelligent compromise on points to which the conferees have given advance and sustained and not spur-of-the-moment consideration.

Elimination Of Meetings

It would be foolish to deny that the clash of minds in committee work sometimes strikes sparks of merit. But it is even more foolish to depend solely on sparks for illumination when the light of careful preparation is available. Moreover, more sparks are likely to fly when each conferee has built his own fire in advance.

Companies might do well also to consider the "why" of each meeting and eliminate the ones without a good answer to this simple question. This brings into focus the phenomenon of standing committees. They may have their values, but they tend to develop a ritual of regular conference, involving time which might be better spent in individual on-the-job effort where real problems are always discovered. Formalized groups have a tendency to develop synthetic problems—conversation always produces them—each of which can lead to another meeting. Companies might find it more profitable to look into savings through curtailed standing committee meetings than to investigate the sudden switch by a field man from \$5.40 entertainment lunches to \$5.85 noon fiestas with agents.

May Dispute Preparation

The desirability of advance preparation for all committee meetings may be disputed by some. They bring up the question of emergency committee meetings for quick decisions. However, an "emergency committee meeting" is a contradiction in terms. An emergency meeting is for decisive action, and that is not the function of a committee. Emergency meetings are really executive sessions, producing not recommendations but final conclusions which are then implemented.

It is perhaps significant that in many if not most companies when an instant decision must be made, there is a meeting of the hard core of three or four top executives who really make all the decisions—pious disclaimers to the contrary notwithstanding. This group does not call itself a committee, for the very good reason that it isn't. A company may also have an executive committee of all the V-Ps who supervise various divisions of activity. This group meets to consider high level but more leisurely matters. But when

a company wants immediate action it usually does not round up this more extensive group.

Probably the most realistic way to regard a committee is as a pool of the best brains in the company on a given subject—a brain trust charged with accumulating solid data on a particular problem. Looked at in this light, a committee is not the subject of merriment. It would be even less so if companies which see merit in sending electronics men to school to learn how to program material for the computer would also delegate a top man to study the most efficient methods of programming committee meetings.

Number Of Reasons

This executive would discover early in his investigation that there are a number of primary reasons for committee meetings. One is to consider innovations—usually suggested by an individual—and to recommend to management the best course of action. Another purpose of meetings is to make sure that all executives or others involved in a previously agreed upon matter fully understand it and are thus able to coordinate their efforts. Securing the maximum possible agreement on individual viewpoints is the underlying reason for practically all conferences—as the very name suggests. A partial exception would be meetings where company or departmental results are considered, but even here, individuals sometimes may interpret figures and trends in various ways, and misunderstandings must be brought into line.

The executive investigating committee activities in his company would inevitably become involved with technical procedural details as well as with broad concepts. Details include whether a particular meeting should be informal or formal. In the latter case, exhaustive records of the proceedings must be kept to bolster the resulting recommendations. Other important considerations are selection of the chairman—based on his over-all ability for the job—limitation of the conference group so that all sides may be fairly but not excessively represented, and elimination of those individuals who are unduly argumentative, unpopular, or unqualified for group work. Their opinions are always available on an individual basis.

The frequency and length of meetings are important considerations, as anyone who regularly tries to reach insurer officials on the phone can attest.

Communications Problems

Other problem areas of committee work involve tying up in conference officials who carry a heavy daily work load, maintenance of an atmosphere where all suggestions are considered, and translation of language used by technicians into terms understandable to all attending. This last responsibility is largely the chairman's, but every



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committee member must learn not only how to define his own terms but also how to ask others what they are talking about. The problem of communications—present in every phase of life—reaches its apex in committee work. A meeting is an exercise in speaking and listening—the most difficult art in business and the most rewarding to all concerned when mastered. An executive charged with exploring committee work in his company might well find the talents of his advertising and PR department useful in recommending improvements in conference communication.

Deal With Pressing Problems

Committee meetings deal with the most pressing of management problems. They involve intangible and practically unidentifiable expense. At the same time, they are potentially among the most constructive of company activities. For these reasons—negative and positive—insurers might consider assigning a top man to explore all phases of an area in which he and his fellow officials, as well as departmental heads, spend a considerable part of their business day. Such a study would be more valuable than clocking coffee breaks, for it would shed light on unintentional goofing off at high levels by unprepared participants in meetings whose purpose is often undefined and consequently misunderstood.

Hartford Accident Makes Changes On West Coast

Hartford Accident has appointed John P. Keevers Jr. special agent at San Jose, Cal. He is an additional special agent who will service the San Jose County and south coast territory in collaboration with William Eversz, Alex Parisi and Max Wissler.

Special Agent Ray Villarreal, who has serviced that territory on a part-time basis, has been transferred to Santa Rosa, where he will be associated with John Ryan, special agent for the north coast territory.

Casualty and surety business of New York Underwriters and Citizens of New Jersey will also be serviced by these field men from the two offices.

Buffalo Field Men Elect

John H. Ebdon, Royal-Globe, has been elected president of Buffalo Insurance Field Club to succeed Raymond J. Nice, National Union. Other new officers are Charles E. Hall, Springfield F. & M., vice-president; Myles W. Rowan, St. Paul F. & M., secretary; Edward F. Woelfle Jr., America Fore, treasurer, and Charles F. Ellard, North British, rules and forms.

N.J. Blue Cross Asks Permission To Recover From Third Parties

TRENTON—If New Jersey Blue Cross were permitted to recover from third parties responsible for accidents, the plan could recover an estimated \$250,000 annually, Milton Loysen, vice-president of the plan, told a legislative committee investigating Blue Cross costs here. He recommended that the legislature be asked to authorize such a provision.

Under inquiry by committee counsel, Mr. Loysen described the plan's method of hospital payments, saying that some subscribers whose hospital bills were paid by the plan, later sued and recovered from the third party in the accident. He recommended that subscribers be asked to assign their claim to Blue Cross so the plan could recover the amount it paid out for hospital costs. New York and Philadelphia plans have such a provision, he said.

On the question of contingent reserves, Mr. Loysen recommended the present statutory limit be fixed at 15% of premiums which he said would not mean an increase in rates. He also urged that the plan be permitted to make master contracts with group employers, and also said he felt that legislation might be adopted to allow Blue Cross to join with Blue Shield to use a single contract form as a means of cutting down administrative expense.

Mr. Loysen also warned that the New Jersey plan will soon become "the boneyard for poorer insurance risks," if it is not allowed to introduce a merit rating or insurance plan.

At an earlier hearing Blue Cross presented a plea for adoption of merit rating. The plan, said Mr. Loysen, is seeking to "achieve a rate system peculiar to its own needs," adding that it cannot continue in business on a flat rate basis.

Dr. Nicholas Alfano, executive vice-president of New Jersey Blue Shield, told the committee that his plan is not at this time seeking an experience rating program but prefers to await the results of further studies.

Nw Mutual Opens Dayton Offices

James A. Hopkins has been appointed manager of a new district claims office at Dayton, O., of Northwestern Mutual. It is located in the Gem City Savings Building.

Financial Indemnity of Los Angeles is now writing general liability insurance in California.

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Character, Growing Importance Of Agency-Company Relations

(CONTINUED FROM PAGE 21)

to this group's success has been the elimination of accounting variations that are of no real consequence in order to get to a uniform pattern.

The work of agency conference committees, state, regional, and national, has been and continues to be exceptionally good and never more necessary. Companies are influenced by what they learn from agents in these discussions. Agents find out much of what companies in general are planning to do and what company management are thinking.

The association is, for independent business men who at their best reach professional status in education, skill, understanding, and responsibility to clients, the most favorable form of

organization. This is as much for their welfare as it is for the benefit of the public. It has been questioned, however, even by agents whether it is in these times effective enough.

Has Been Effective

It has been, I think, highly effective; it will continue to be. It is not a substitute for individual effort and never will be. But it is a means of communication, of testing and improving standards, of education, and of the shaping of purpose. No other form of organization will succeed or supplant it—not, at least, as long as there is in this country any substantial number of professional type insurance advisers who are willing to give others the benefit of their experience and

thinking and who do not grow so old in spirit that they cannot learn from others.

Can agent-company relations be improved? Yes. It is important to determine what it is you need and want. Once you do that, ask yourself whether these objectives are reasonable, not just to you, but to insured and company as well. Over the long pull, only purposes of this character will prove to be to your advantage.

Thus a reassessment of objectives will tend to sharpen them. A study of means will shorten your lines and should produce quicker results. By emphasizing the communication of individual to individual, you can multiply your effectiveness individually and as an association member.

Why can't agents have something to say about coverage and programs of coverage? At a minimum, why can't they be notified that a new program will become effective sunrise Dec. 12 or midnight Jan. 19?

Contrary News

Aside from the fact that in many states it is illegal to publicize a rate filing before it is acted upon, a bureau is comprised of many companies whose executives have different viewpoints, many of them contrary. Many companies don't like what is finally filed by bureaus because it reflects a composite and compromised average of company opinion mixed with statistics that also at times are contrary and conflicting. Beyond that, no one wants to advertise to competitors who may very well try to get the jump by imitating the product—and often have done so.

On the other hand, associations cannot bind individual agents to do anything. They can take a consensus of opinion, they can cuss and discuss, they can educate and warn, they can defend against bad legislation and support favorable bills including those that set higher standards for their vocation. They can report trends. All of these things are absolutely essential and growing more so all the time.

What you face today is the problem of protecting yourselves from getting trampled by the trends. You want to know whether agents as a group can slow down the changes, reduce their frequency, or confine them to one fixed period of the year. The number of changes, many of them unimportant, has grown quite burdensome, particularly for the agent who represents bureau companies and independents and the growing number of insurers that fall in between.

In recent times agents have not been too successful in efforts to slow up this avalanche.

You have, then, turned to the possibility of a statutory defense.

Understandable Aim

Few can be unsympathetic with your objectives. The business is in some danger of becoming un-understandable, even by its most energetic and intelligent practitioners. Insurance departments are faced with enormous variations in coverage, rates, and rating plans, differences that once filed are then multiplied and foliated by deviations, counter-filings and new filings to meet the challenge of new filings. There is, you may recall, a statutory fire policy. Why? Because of the need of public, producer and company for a "standard" coverage. Will it then come to statutory policies in other areas?

The weakness of the legislative

route is that in getting a law to bring someone else to do something—or not do it—you bind yourselves as well as others. There may come a time when you need to move swiftly in a new direction—and can't.

Hearings at which you can make your views known to agency companies that seem somewhat unwilling to listen elsewhere, also provide a stage on which your competitors and theirs can appear and further their cause. In so many filings of recent years, the objective has been to reduce the price. How are you going to make that sound bad to the public ear?

You may seek—you may even get—legislation similar to that in Florida and similar to what is being discussed in other states—public hearings on filings. You may want and get recognition of agents as an aggrieved party, or possibly a single period in the year for all changes. If this association went after such legislation vigorously and enthusiastically, it might succeed.

But in addition to giving competitors a chance to advertise effectively products which haven't yet been approved, you prop the door open for commissioners to defend denials of rate increases which the evidence shouts loudly are necessary. This could tend to make a largely technical negotiation into a loud speaker system for the expression of specialized viewpoints. It could end up producing more insurance decisions by debate than by data.

Yet in addition to giving you advance information on changes you ought to know are coming, public hearings are education to the public. Perhaps this is the best way to deliver to the insurance buyers of the country an understanding of insurance and what goes into its costs. The need for that understanding grows more essential as premiums rise.

In addition to maintaining and strengthening your association in the area of company communication, one other idea has been discussed as a possibility, though so far as I know it has never been tried. That is for the agent individually, one who is a major producer for a company and who therefore commands the respect of the management at the home office, to go there and talk to one, two or three top executives. By doing so, the agent is likely to learn what management regards as its most critical problems and therefore the ones that are apt to result in action designed to solve those problems. This would tell you what trends are ahead. You may even find out what will be done by the company in the days immediately ahead.

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to the executives his problems as an agent, generally and specifically those produced by actions this company has taken or is apt to take. Why isn't automation working, or why, specifically, won't it work in this agency, and for what reasons? Why doesn't the agent like what the company has done with coverage, or with procedures?

Six successful agents from a state, visiting six different companies and six companies that operate bureau, non-bureau and in-between, would produce a great deal of information and exert real influence.

Within limits, these matters can be reported to the association and give other agents the benefit of it.

If a dozen agents visited a dozen companies under these circumstances, the results would be impressive.

This is a business of people and personal relationships, a truth that hasn't changed since it began. In a modern age, the real launching pad into the space of the future continues to be the individual agent and company executive. If they haven't communicated with each other, they'd better. If they don't know how, they had better learn.

For if the relationship here ever deteriorates into one of adversaries, not all the kings horses nor all the kings men, in or out of associations, can put it back together again.

Chicago Juries Award \$214,421 In A Week

Chicago juries deciding personal injury cases last week handed down 16 decisions, nine of which went for defendants, six for plaintiffs, with one deadlocked. The total damages awarded were \$214,421, bringing the total since Sept. 1 to \$554,084. Of 83 decisions since Sept. 1, reported in Cook County Jury Verdict Reporter, 26 favored defendant, 24 plaintiffs and five were deadlocked.

Last week the largest award was \$187,100 in a railway case in which a switchman suffered a head injury when hit from behind by a diesel engine while waiting to throw a switch for his own crew.

Cook County Jury Verdict Reporter notes that as of Sept. 30 there was a backlog of 65,071 cases in the circuit and superior courts of Chicago. During the month 2,367 cases were disposed of, while 4,455 were filed and 39 were reinstated.

Sked To Talk At Milwaukee

William D. Sked, vice-president Marsh & McLennan, Chicago, will be the speaker at a dinner meeting of Wisconsin chapter American Society of Insurance Management, Oct. 27, John Ernst Cafe, Milwaukee. He will discuss advertiser's liability.

Tenn. Rate Suit Issues Must Wait

(CONTINUED FROM PAGE 1)

large number of companies, according to the petition. It then cites applicable Tennessee statutes and notes that the two bureaus for years have been designated by the commissioner as official statistical agent for the state.

More Than Half

In reviewing the filing for rate increases, the bureaus state that the experience used represented more than 50% of total auto liability volume and approximately two-thirds of the total auto PHD premiums in Tennessee.

In turning down the filing, the commissioner said that his order was based solely on his opinion that those few companies which were fortunate enough to have had better than average experience in 1958-1959 "would be the recipient of a . . . juicy, financial wind-fall." To this the bureaus replied that "the fact that one or more of the individual companies may have had underwriting results better than the average, while others had results worse than the average, is wholly irrelevant to the issue of whether the rates proposed on the basis of aggregate experience are fair, reasonable and adequate."

The commissioner also observed that some insurers were writing auto coverage in the state at rates lower than proposed in the filings of the two bureaus. But, the petition states, "there was no evidence in the record showing that such lower rates for some other companies are not in fact resulting in underwriting losses." Also, such rates may not be at all suitable for companies marketing through independent agents paid on a commission basis.

"Arbitrary And Illegal"

The commissioner's reason for the disapproval are described by the bureaus as "arbitrary, illegal and in disregard of the statutory provisions." He arbitrarily ignored the statistical data and evidence supporting the proposed rate revisions simply because he professed to entertain the personal opinion that an improper result would be reached if he should permit rates to be made through concerted action of a group of companies carried out through a rating organization.

The commissioner's action "constituted a substitution of his own personal theories and opinions in place of the plain provisions established by the Tennessee legislature."

The petition asks a review of the evidence by the court and that the matter then be remanded to the commissioner requiring him to consider the filings in accord with the statutes.

Fireman's Fund Offers Economy Homeowner

(CONTINUED FROM PAGE 1)

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Sept. Fire Losses Decreased By 1.4%

Fire losses in the U. S. during September amounted to \$81,845,000, a 1.4% decrease from the September 1959 figure, according to National Board. The September total is down 9.1% from losses in August.

Losses for the first nine months of 1960 totaled \$828,851,000, an increase of 3.5% over the similar period in 1959.



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Editorial Comment

Only Rate Rises Will Meet The Problem

Beyond every decision of the kind that Tennessee made in denying a rate increase to automobile insurers lies a plague of problems which are all the more real for not being publicized at the same time the reasons for the disapproval were. These problems are a tighter market, more selective underwriting by necessity and not by choice, a rash of cancellations, and a surge in the assigned risk plan.

These matters are not reported to the public, which eventually will bear the brunt of them, because the commissioner does not want to be tagged with responsibility for them, though his decision does tie it on him. The newspaper reporters and editorial writers, who have a lot of other subjects to deal with, cannot be expected to know that these are the inevitable consequences of the commissioner's action. The insurers make it as clear as they think they can with figures and statistics.

The net result still is that cause and effect are lost, at least for a time and perhaps forever.

The figures for Tennessee may be somewhat different from those in other states but are the same color: Losses in the two most recent years exceed \$6 million. The figures (of which the Tennessee decision made a good deal) are from an underwriting loss of 1,555.4% on \$5,000 of premiums, to an underwriting gain of 146.3% on a premium volume of \$283.

However, Tennessee should not be singled out for special attention. The pattern is well established. It may be said to have started in Massachusetts. But in modern times, New York offers the best example of it, and it is being followed in other states—even with similar phraseology in Florida, North Carolina, Georgia, and Tennessee.

The pattern is for the insurance department to turn down the filing for a rate increase, or to compromise the amount asked. This may be with or without hearing. Months and months go by during which these increases or no increases result in so many losses that the twin issues of a continued

market of any size and the possibility of serious insurer difficulties begin to loom larger and larger.

New and higher rates then are filed. These are denied, or they are compromised. This action ordinarily follows a public hearing in which the commissioner puts out various reasons for his action. At times he calls into question the motives of the companies, their efficiency, the accuracy of their mathematics, the adequacy of their experience, the equity of territories, and the justice of classifications.

In a few—notably few—instances the companies take the commissioner to court. This is ordinarily a long and tedious course and has proved to be a relatively poor substitute for the kind of regulatory action that is needed.

The pattern covers a year, or two, or three. In New York, for example, where cancellations and assignments are the worst anywhere, rates have been running behind experience for some years.

The smaller and weaker companies have to withdraw, or substantially withdraw, from the market. The stronger companies sharpen their underwriting, review agency experience, and try to increase the proportion of preferred risks. In Tennessee the manual rates come remarkably close to being the rates which experience shows are adequate for risks that would qualify for merit rating. In other words, the present rates are adequate for only the cream of the business in Tennessee.

Consequently, the average business comes under pressure. It is cancelled or not renewed. It goes into the assigned risk plan. Excess writers, getting up to three times the rate or more, enter the scene. Other business is forced to carry the losses on automobile. Cancellations rise. There is a demand for legislation curbing the insurer's rights to cancel. Bills are introduced to put a state fund into the auto liability business—to do what the insurers can't do (this is known as the miracle of letting the taxpayer pay the difference).

Practically everybody begins to look for miracles. Agents seek to protect their livelihood by legislation. Companies borrow the "non-can" policy from the A&S business, which has had plenty of trouble with it, and this proves about as effective in reducing cancellations as a feather thrown against a steel wall.

By now all but the unwary insurers have learned their lesson and can defend themselves, though by doing so they put themselves behind in competition and mitigate their future. In the early days in Massachusetts, however, quite a few insurers, most of them democratic, went broke, and among more modern dissolutions the automobile situation has played a key role.

The entire business and state regulation face a problem that grows more critical by the month. Assigned risks and cancellations are the sore spots, but the infection is pervading so many areas of the business that it could result in serious, permanent damage.

The only thing that will reduce cancellations and assignments is a good, solid justified rate increase. This is the only thing that will do it in New York, where, it is said, approximately 25% is needed. It is the only thing that will do it in Tennessee. It is the only thing that will do it elsewhere.—K.O.F.

teams while in service. During each of the athletic seasons for the past two years, he and his association have produced a sports show in TV with emphasis on the theme, "Your Independent Agent Serves You First."

Howard A. Goetz, vice-president at Chicago of the A. E. Strudwick reinsurance organization, is on a 10-day visit to London where he will confer with Lloyd's underwriters and the London correspondents of Strudwick.

Sidney L. Horman, vice-president and director of agencies of Time, has returned to his office after a three-month absence following an automobile accident. He conducted about 50% of his duties by phone from the hospital. On his return, about 100 Time employees literally rolled out a red carpet for him to travel on crutches from his car to the elevator. Mr. Horman was named "man of the year" by International Assn. of Health Underwriters at the annual meeting last summer, which honor came to him just about the time of his accident.

Deaths

DAVID F. MARTIN, 64, a superintendent in the Brooklyn, N.Y., office of Hartford Fire, died in the hospital after a short illness.

LOUIS J. TABER, 82, chairman of Farmers & Traders Life and a former master of the National Grange, died at Syracuse, N. Y., after a heart attack. He was a director of National Grange Mutual Liability and of National Grange Fire and was an organizer of Belmont Mutual Fire.

RICHARD C. MASTERS, 59, vice-president and general counsel of Auto-Owners, died after a protracted illness. He had been with Auto-Owners since 1928, becoming an attorney after several years in the adjusting department. He was active in the International Assn. of Insurance Counsel and in numerous civic activities.

E. PHILLIPPS MOULTON, 81, an agent in Cleveland since 1902, died. He started in the business with Travelers at Philadelphia in 1899, and moved to Cleveland three years later as an agent for that company. He had been a member of Cleveland Life Underwriters Assn. since 1903 and a member of Insurance Board of Cleveland since 1909.

FERDINAND I. CARUSO, 55, special agent in the arson department of National Board, died of a heart attack while driving near Arlington, Va., where he made his home. He was returning from an insurance meeting where he had delivered an address on the work of National Board. He joined the board in 1937 and became special agent successively in Pennsylvania, California and Washington, D.C., his most recent position.

BERNARD L. HOERSTMAN, 76, proprietor of the Hoerstman agency at Mishawaka, Ind., since 1931, died.

WAYNE MURRAY, 76, former president and chairman of Preferred Insurance Exchange died of a heart attack. He had resigned last August. He was a vice-president of General of Seattle until he established Preferred in 1947.

FRANK BERRYMAN, owner and manager of the Berryman agency of Butte, died of a heart attack. He established his agency in 1944 and served as president of Montana Assn. of Mutual Agents.

Personals

The Cincinnati daily papers featured the 87th birthday of **William A. Earls**, president Earls-Blain agency and past president Cincinnati Insurance Board and Ohio Assn. of Insurance Agents. He celebrated by playing golf with his sons, Thomas W. and John V. Earls, who are vice-president and treasurer, respectively, of the agency, and William T. Earls, general agent Mutual Benefit Life, all accomplished golfers.

George Nordhaus, manager of Insurors of Tennessee for two years, is a television sportscaster on his own show called "The Huddle." Mr. Nordhaus has for his sponsors individual members of the state association as well as Insurors of Nashville. Mr. Nordhaus long has been connected with sports. He was an All-American high school basketball player, a four-year varsity player for Vanderbilt University in Nashville, and a manager and coach of a number of Navy

THE NATIONAL UNDERWRITER

The National Weekly Newspaper
of Fire and Casualty Insurance



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GAB Donna Estimate Holding Up; Some Wave Wash Disputes

As of Oct. 7, General Adjustment Bureau had received 132,172 loss assignments resulting from Hurricane Donna. At Sept. 22, the date of its last report, GAB had about 95,000 assignments and predicted an eventual total of close to 190,000. The latter anticipated figure appears to be holding up in the light of developing experience.

GAB has noted that as of Oct. 7, final reports and supporting documents on 43,133 claims had been closed out to member companies. In addition, 37,564 other claims were in various stages of negotiation for early conclusion.

GAB has stressed that while Donna will not be the most costly hurricane in recent years, her destructive course was over a most extensive and densely populated area.

Excerpts from reports by GAB representatives in the field told a graphic story of storm damage. From Fort Myers, which was heavily clobbered by Donna, GAB adjusters reported:

Fort Myers Story

"The worst wave damage in the Fort Myers area is in that section that ranges from the Everglades north to Fort Myers Beach. We have approximately 600 losses with wave wash involved. There are 50 losses where the total damage is estimated under \$1,000. We have 300 losses where the damage is estimated from \$1,000 to \$5,000. We have 100 losses from \$5,000 to \$10,000; 125 losses over \$10,000 and under \$50,000; and approximately 25 losses over \$50,000. There is one very serious loss to the Country Club at Naples which is estimated at \$600,000.

"We have utilized engineers to make physical inspection of these risks and are securing their reports. Professional photographs have been obtained on these cases to build up the file in the event of litigation.

"The adjusters encounter difficulty convincing insured of the extent of wave wash damage. The adjuster must be able to ascertain the percentage of wave wash damage from the remaining physical evidence. This consists of water marks; extent of debris inside; type of debris (silt, mud, seaweed, etc.); type of damage (whether the damage is high on the building or low on the building would indicate whether wind or water caused it); the direction the building has been moved; and scouring action under the piling and resultant settling and subsidence.

Experience In Keys

"An aerial survey of the Bonita Springs area has been conducted by us and discloses that there was a definite line of wash from the waves in this area. For instance, there was one large wave which carried many buildings and approximately 25 trailers across a bay located 200 feet east of the ocean. These buildings were moved from west to east across the bay."

Reports from GAB personnel in the Florida Keys indicated that two weeks after Donna struck, a large portion of the population was still being fed by the Red Cross, clean-up work was being done by the Navy, and efforts were being made by telephone and utility companies to restore their services. In spite of their efforts, adjusters were plagued with poisonous snakes, rats, mosquitoes and threat of disease. All

Cal. Auto Claim Study Completed

A study of current methods of handling automobile injury cases in California, conducted by the industry at the request of Gov. Brown, indicates that 68 out of each 100 claimants received payment in response to their claims and that 85% of the claims are disposed of within one year. Of each 100 claim units (not accidents), 10 lawsuits result and one of the 10 is tried to a conclusion.

The report was made to the California senate judiciary advisory committee in response to a recommendation from the governor to the state legislature in connection with his sug-

gestion that auto injury cases might better be handled by a commission similar to that supervising workmen's compensation claims.

A call to develop information was sent to 59 insurers, and 46 companies responded. They represented 71.7% of total earned auto BI premiums in California in 1959, or an aggregate of \$228.7 million. The companies were able to answer all questions in sufficient detail to support the indicated conclusions.

Six questions were asked, and answers to them are shown in the tabulation below:

1. Claims units settled by payment as compared with all claims disposed of:

Year	Total Claims Settled	Claims Settled by Payment	% By Payment
1957	125,497	84,577	67.4%
1958	159,588	109,702	68.7%
1959	165,225	112,123	67.9%

2. Speed of disposal of claim units, by percentage:

Year	Within 30 days	Within 90 days	Within 1 year
1957	36.0%	60.4%	87.6%
1958	36.3%	60.0%	84.6%
1959	37.3%	61.2%	86.7%

3. Ratio of suits filed to claim units reported:

Year	Claim Units Reported	Lawsuits Filed	Percentage
1957	132,594	14,939	11.3%
1958	173,203	19,252	11.1%
1959	180,015	18,248	10.1%

4. *Ratio of cases tried to a conclusion to lawsuits filed:

Year	Lawsuits Filed	Tried to a Conclusion	Percentage
1957	13,605	1,543	11.3%
1958	15,185	1,385	9.1%
1959	16,635	1,359	8.2%

*This number differs from number recorded under Item 4 because it includes only the number of law suits reported by those companies which also reported the number of such law suits tried to a conclusion.

5. Reported autos insured for liability--insured for medical payments coverage:

Year	Insured for Auto B.I.	For Medical Payments	Percentage
1959	3,715,808	2,886,113	77.7%

6. Percentage of lawsuits filed in Municipal Court:

Year	*Total Suits Filed	In Municipal Court	Percentage
1957	7,150	622	8.7%
1958	10,620	647	6.1%
1959	9,878	625	6.3%

*Differs from total filed per Items 4 & 5 because all companies did not have split.

L. P. McGartland Joins Newhouse & Hawley

Lawrence P. McGartland, who has been manager of the fire and inland marine department of Lukens, Savage & Washburn for six years, has joined the New York office of Newhouse & Hawley in charge of property insurance underwriting.

A graduate of Waynesburg College, he started his insurance career in the inland marine department of Talbot, Bird.

GAB personnel were inoculated for typhoid and had to carry their water and food from Key West, 50 miles from the storm office.

As a result of GAB findings, it is believed that in the Keys wave wash, although a serious factor, was not accountable for the majority of the damage in these areas since the properties were unroofed and thoroughly wetted by torrential rains prior to either the ocean or gulf flooding the land. It is reported that 11 inches of rain fell at Marathon during the hurricane winds.

Ind. Lumbermens Building Pacific Coast Headquarters

Indiana Lumbermens Mutual has started construction on a new Pacific department headquarters building in Walnut Creek, Cal., near San Francisco, with occupancy slated for November of this year. The 7,000-square foot contemporary styled building features a liberal use of glass, redwood, and broken-face blocks.

Approximately 35 employees will staff the office, which will service northern California, Oregon, Washington, Utah, and Idaho, and the company's branch office in Los Angeles.

K. C. Surety Managers Elect

New officers of Surety Managers Club of Kansas City, who will serve during the fiscal year ending next September, are: Chairman, John L. Kelly, Standard Accident, vice-chairman, William S. Knopf, Royal-Globe group, and secretary-treasurer, Lawrence M. Howe, American Surety.

Morrill Supports NAII Rating Bill, Hits NAIA Big I Ad In Look

The proposed fire-casualty rating law that was submitted to NAIC by National Assn. of Independent Insurers last June is a "most significant and constructive step toward better public relations for both the business and its regulators," Thomas C. Morrill, vice-president State Farm Mutual Automobile, told Conference of Mutual Casualty Companies at its sales and agency meeting in Chicago last week.

Big I Ad is Bad Public Relations

An example of bad public relations, he said, is the Big I advertising of NAIA that appeared in the Sept. 27 issue of Look magazine.

Mentioning public relations problems that arise from a capacity shortage in the automobile insurance field, with resulting headaches of crowding the assigned risk plans, Mr. Morrill observed that in many quarters the market shortage is laid at the door of inadequate rates. The reasons given by supervisory officials for denying rate increases are varied, he commented, but it is widely recognized that the principal reason is the political impracticality of assuming the public onus for approving an increase in the premium cost.

This is part of the public nature of the business, he observed, and one of the reasons why the NAII bill, with its principle of having rates become effective when filed without putting the burden on the commissioner for prior approval, is a constructive step toward better public relations.

For NAII Proposal

Before offering his strong advocacy of the NAII proposal, Mr. Morrill remarked that all segments of the business should be doing what they can to build public regard for private insurance, but "one agents' group is spending a million dollar fund on ads which describe the terrible things which will happen to people who buy 'the wrong insurance on your car, home or business.'" He mentioned the statements in the Sept. 27 ad in Look magazine sponsored by NAIA, among which are: "You May Have Trouble Collecting Your Claim"

"You May End Up Paying Three Times As Much For Your Insurance"

"You May Lose Money Acting As Your Own Insurance Expert"

"You May Get Hog Tied By Red Tape"

Shows Public Opinion

"It is not my purpose to rebut these strange charges," Mr. Morrill said. "The campaign was undertaken by the agents of one system in an effort to slow down its heavy loss of business to another system. The fact that they have such a problem is some evidence of what the public thinks of the relative merits of each. The charges which they make without a shred of documentation are irresponsible on their face."

"My point is a rather simple one. This public pouring of acid on a part of the business does a disservice to the whole business. The sponsors assume too much if they think that the American public understands the difference between the independent agent, the employee agent and the exclusive agent—a distinction that really gets confused when a large part of the personal

(CONTINUED ON PAGE 47)

Texas Insurance Women Hold Annual

(CONTINUED FROM PAGE 4)

no such thing as high or low pressure selling—only “smart sell and stupid sell.” However, the new generation just doesn’t consider it respectable to push people into buying by over-exaggeration and emotional appeal. There is, however, inherent strength in the success of letting people feel they are making their own decision to buy—the essence of low pressure or smart selling.

“There is plenty of room for selling,”

Mr. Wilson went on to say. Unfortunately, however, the idea of low pressure selling has warped or drained somewhere along the way, and the phrase now serves as camouflage and an excuse for not using any kind of pressure. Most salesmen today are so filled with the idea of low pressure selling—with the emphasis on the low pressure part—they shrink from even trying to persuade.” Salesmen are apparently beginning to feel hesitant about approaching a prospect unless

they can offer him a special price or a deal of some kind.

There is nothing simple or easy about low pressure selling, Mr. Wilson said, and it depends for its effect on a small amount of obvious pressure, usually in the form of a guided discussion on the customer's problems. The low pressure salesman must be sensitive to others' reactions.

“This calls for a special skill and a particular kind of personality—far from the demanding, extroverted, socializing, pushing kind of man or woman.” This being the case, he said,

there is a definite place for women in the market place, since some selling situations require highly sensitive if not altogether introverted personalities. “Your influence in selling our product is not only necessary, it is vital.”

Hal A. Gullede of the agency bearing his name, Dallas, discussed certain phases of the agent's situation today, describing him as being in a most difficult position. This he attributed to the fact that while the agent has no control of insurance rates, he is the victim of a decreasing income, resulting from company deviations and a lowering of commissions, which, he said, is having a disastrous effect on the income of the agent.

There were four business meetings, during which committee reports were made and workshop sessions held. Mrs. June Lundy, Echlin-Irvin-Cowell & Co., El Paso, was general chairman. The 1961 annual rally will be held in Galveston, with Amarillo the city for 1962.

Mich. Mut. Agents Schedule Annual For Grand Rapids

Congressman G. R. Ford, Grand Rapids, will headline the annual convention of Michigan Assn. of Mutual Insurance Agents at the annual convention in Grand Rapids, Nov. 2-3, at the Pantlind Hotel.

Rep. Ford will speak on “Government Control of Your Business and Its Implications.” Among other speakers will be Commissioner Blackford.

New developments in the business will be the chief topic at the meeting, and several agent panels and guest speakers will explain various innovations.

Auto Rates Are Revised By Bureaus In Ia., Mo.

National Bureau has reduced commercial car liability rates an average of 1.9% and increased broad garage risk rates 4.9% in Iowa. National Automobile Underwriters Assn. has reduced fire rates on commercial cars by 10% to 25% and has increased comprehensive rates by 4% to 21%. Collision premiums have been increased 11% on commercial cars operating within a 50 mile radius and reduced by 10% to 20% for those operating beyond that radius.

In Missouri, NAUA has revised PHD rates for private passenger cars, with the changes applying to the family policy and the bureau special policy. Private passenger rates are reduced 2.3%. Fire rates on commercial cars are down by 10% to 15%. Collision rates for intermediate and long haul vehicles are reduced by 10 to 20%.

National Bureau is now recognizing two territories in St. Louis—formerly one territory. In the new semi-suburban territory—distinguished from the metropolitan territory—liability rates on private passenger cars are reduced from \$8 to \$29, according to types of policy, use of cars, and the age and marital status of drivers under 25.

All rate changes in both states were effective Oct. 19.

Federal Files With SEC In Great Northern Merger

Federal has filed a statement with Securities & Exchange Commission seeking registration of 100,000 shares of stock which it proposes to offer in exchange for Great Northern stock at the rate of one Federal for one Great Northern.



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Challenge Deduction Of A&S Cover On Worker-Stockholder

The deduction as a business expense of premiums paid by a corporation on disability income policies for the benefit of employees who are also stockholders has been disallowed by an internal revenue auditor in a case in Columbus, Ind. The auditor has further treated the premiums paid as a dividend distribution to the employee-stockholders, thus creating a double taxation situation.

The coverage consisted of two \$400 a month disability income policies on two brothers, principal stockholders in a small corporation. The policies carry a rider providing \$30 a day hospitalization benefit and \$5,000 accidental death. The corporation paid the premiums. The benefits are payable direct to the stockholder employees. Only that portion of the premium for the health insurance coverage was deducted as a business expense, not the additional premium for the accidental death benefit.

The corporation has filed an appeal but is undecided how far it will carry it in view of the fact that the total tax involved over a three-year period disallowed amounts to only \$1,000.

Following Case Closely

Indianapolis tax men and company officials are following the case closely. R. W. Osler, president Underwriters National, observed that it is common to cite revenue ruling 58-90, IRB 1958-11, 12 as authority for the deduction of such premiums; "however, what is often overlooked is that the example used in this ruling stipulates that the employee is not a stockholder."

"It is also argued that the Casale case establishes a principle on which deductibility of such premiums can be based, and, more recently, Ernest, Holderman, and Collet (19 TCM 42) has been cited as applying. However, neither of these is a case in exact point, and no one has been able to give me one that is. Therefore, if the Columbus case is litigated, it will be important."

"Meanwhile, I wouldn't allow a client to deduct such premiums—as I know many good agents advise—with-out at least warning him that he may have to fight IRS over it. It's possible he can win the case; but until some one wins one and the commissioner acquiesces, the safer plan in employee-stockholder situations is to increase the employee's salary so he can carry the coverage himself. When he does, he can also deduct all benefits paid, not just \$100 a week. Depending on tax brackets involved, this may be a better 'break' than deducting the premiums anyway."

Mutual Sales Conference In Wis. Nov. 2-3

A sales conference entitled "An Investment In Your Future" will be conducted Nov. 2-3 at the University of Wisconsin. The sponsors are Wisconsin Assn. of Mutual Ins. Agents, Wisconsin 1752 Club, Wisconsin Managers Club and the University of Wisconsin department of commerce.

There is already a large advance registration for the conference, which will cover a wide range of subjects, including sales psychology, agency advertising, insurance law, appraisals, office procedures, survey selling, and comprehensive liability. The speakers are members of the staff at the university and company men and agents.

U. S. Chamber Urges Private A&S Plans For All Retired Workers

The U. S. Chamber of Commerce in its weekly newsletter, "Washington Reporter," urges business firms voluntarily to make group health insurance coverage available to all employees during their retirement years. Coverage should be offered both to former employees who have already retired and to present employees when they retire, the newsletter says.

The newsletter, addressed mostly to employers, terms the retired employee, "your ambassador of good will in the community," saying that "the economic well being of your retired worker should be of concern to you. And, as you know, nothing can destroy the morale of a retired person, living on a fixed pension quicker than a serious illness that wipes out his savings and leaves him disgruntled and bitter in his old age."

Ga. Agents Get Sales Stimulants At I-Day

More than 300 were on hand for the first annual Georgia I-Day in Atlanta sponsored by Georgia Assn. of Independent Agents and the Atlanta area association.

Merret-Adams Training Institute of Shreveport presented a four hour sales training program, including a brain-storming session which drew enthusiastic participation from the floor.

In other phases of the presentation, competition was considered. A discussion was also held on whether the independent agent's service is worth the price difference.

The NAIA film on the 1961 Big I program was also featured at the meeting.

Mutual General Agents To Meet In D. C. Oct. 24

Mutual General Agents' Assn. will hold its annual meeting at a breakfast Oct. 24 in conjunction with the annual meeting of National Assn. of Mutual Insurance Agents at the Hotel Statler, Washington, D. C.

Advance registrations indicate an unusually high attendance at the general agents' session. J. Ira Laird Jr., Harrisburg, Pa., president, will be in the chair at the breakfast.

Several States Adopt Use Of Rapid Rater

Robert S. Smith, a partner in the Smiths' local agency at Hollywood, Fla., is producing "rapid raters" for use by agency personnel. The loose leaf books, designed to facilitate determination of premiums by fairly inexperienced agency staff members, are tailor made for each state.

The Florida edition was completed in February, and approximately 2,150 of the raters now are being used by the 1,151 members of Florida Assn. of Insurance Agents. The raters are marketed exclusively through state associations of agents that are members of NAIA.

The Tennessee rater was delivered in August. The North Carolina edition is being readied for November delivery. Florida and Tennessee associations conducted traveling schools in use of the rater for members. The registration in Florida was more than 1,500, in Tennessee more than 700.

Several other associations are planning to adopt the rater, and many others have indicated an interest in individual editions for their states.

Standard Accident Has 3-in-1 Branch Office In Upstate New York

Operations of Standard Accident's Buffalo, Rochester and Syracuse offices have been consolidated into a western New York branch office.

Clayton W. James is manager of the western New York branch. Other key personnel include: Allen Fischer assistant manager; Herbert P. Mason Jr. bond manager; George P. Good, claim manager; Robert L. Blanck assistant claim manager. Field Representative Alfred Talke will continue to serve the Syracuse area; Carl E. Yorton, Rochester, and Donald W. Johnson, Buffalo and Niagara Falls.

'Medicare' Program Now In Effect In Mich.

Michigan's part in the federally-authorized "medicare" program already has been launched in four of the state's most populous counties, and it will be operative throughout all of Michigan by the end of the month.

Willard J. Maxey, state social welfare director, said facilities were put into service in Wayne (Detroit), Genesee (Flint), Oakland (Pontiac) and Kent (Grand Rapids) counties.

"Every county bureau," Mr. Maxey explained, "has been supplied with pamphlets that explain the whole program including eligibility requirements—but I don't anticipate any great rush."

Legislators approved Michigan's participation in the program at a brief special session last month. It is anticipated that 60,000 old persons now collecting old age assistance will be eligible for home nursing and an equal number not receiving old age assistance, but considered classified as medically needy, will receive standard Blue Cross-Blue Shield-type hospitalization and surgical benefits after passing a means test.

Paull & Son Named W. Va. GA Of Boston, Old Colony

Alfred Paull & Son of Wheeling and Charleston has been appointed general agent in West Virginia for Boston and Old Colony. The companies have been represented in the state by W. R. Keaton, state agent, who is retiring after having been in the field since 1937.

The general agency representation becomes effective Nov. 1.

Civil Service Employees Names 3

Civil Service Employees of San Francisco has made three appointments. Robert E. Wiegner has been named claims manager for the state of Washington with headquarters at Renton. William D. Eisele becomes casualty underwriting superintendent in the home office, and Robert A. Wheeler has been appointed assistant casualty underwriting superintendent in charge of new business.

Swanson Is Ind. CPCU President

Indiana CPCU chapter has elected Robert W. Swanson, vice-president Herman C. Wolff Co., Indianapolis, president.

John J. McKinley and Sylvia B. Maltenford have established Maltenford-McKinley Associates agency in Evanston, Ill. Mr. McKinley has been with Great American and the Meeker-Magner agency of Chicago.

Missouri Agents In Jefferson City Next Week For Annual

Missouri Assn. of Insurance Agents will hold its 61st convention in Jefferson City next week, Oct. 23-25, featuring a homeowners panel, a talk on "Do It Yourself Health," and an original sales skit.

James A. Buford, Kansas City, is the first speaker, followed by James C. O'Connor, secretary National Underwriter Co., who will speak on "The Personal Insurance Scene Today." The morning session will conclude with Marshall B. Simms, multiple line development director Continental Assurance, Chicago, "Come To Life."

Morton V. V. White, federal affairs chairman National Assn. of Independent Insurers, will speak at the awards luncheon.

Afternoon Session

Phillips Huston, Rough Notes Co., opens the afternoon session with "The Eyes Have It," an address on visual selling aids. An original sales skit written by Ralph Martz, Warrensburg, entitled "The Saga of Nervous Ned," is next, following which the business meeting will be held.

The annual banquet takes place Monday evening with P. H. Hawes, assistant vice-president R. B. Jones & Sons, Kansas City, acting as master of ceremonies.

Maxey Explains

Tuesday morning gets an early start with a breakfast featuring an address by Donald Logan, president Missouri Capital Stock Assn., on "What III Means To You." Eugene F. Gallagher, secretary-manager Chicago Board of Underwriters, concludes this session with "The Trend Away From Tradition."

A homeowners panel, moderated by Curtis M. Elliott, University of Nebraska, fills out the morning session.

Tuesday's luncheon meeting concludes the convention. Newly elected officers will be installed and Dr. Robert J. Samp, University Hospitals, Madison, Wis., will be guest speaker. His subject is "1960 Independent Do It Yourself Health."

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Or examiner with experience as Adjuster and supervisor handling auto., liability or workmen's comp. claims for position in home office of large insurance company. College education and legal training desirable. Please send resume to:

J. H. RICKETSON THE GENERAL ACCIDENT GROUP Philadelphia 5, Pa.

FIELD MANAGER—Wisconsin

Excellent opportunity is offered by a sound, aggressive, Mutual Agency Company. Our Wisconsin territory is now available for the right man. Must have multiple line experience, married, between 30-40. Salary Open. Replies held in strictest confidence. Write Box U-4, National Underwriter, 175 W. Jackson Blvd., Chicago 4, Illinois.

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During Illinois Agents' Association meeting our representatives will be available at Pere-Marquette Hotel, Peoria, Illinois.

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In Arkansas to stock company operating through American Agency System. Seasoned fire business only, at standard rates and commission. Companies in office have knowledge of this notice. Chester Lowe & Co., Suite 31, Hall Building, Little Rock, Arkansas.

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Relate Experience In Substandard Auto

(CONTINUED FROM PAGE 5)

date. The company figures that 30 to 50% of the drivers in the assigned risk plan are clean risks and have been made assigned risks only because they were too young or too old.

The business is written in the affiliated State Farm Fire & Casualty, a stock insurer wholly-owned by State Farm Mutual. The problems involved going into this new line, Mr. Rust reported, involve establishing the policy contract, eligibility requirements, agent compensation and rating structures. State Farm is using a restricted policy, has broadened its underwriting, but employs higher rates although allowing discounts for no accidents. The compensation of the agent is about equal to what he would get for a normal risk.

Eliminates "Fringe Benefits"

The policy eliminates the "fringe benefits" of coverage that were put on a few years ago when the competition had to do with coverages.

Broadening the underwriting concept was not easy, Mr. Rust said. The underwriter had difficulty dealing with another layer of risks superimposed on those that he had been accepting. The company provided specific guides at a rate differential that utilizes State Farm's class system to which there is added a 35% surcharge. As experience is gained, the surcharge will be adjusted, Mr. Rust said.

He explained that the company felt it could not pay the agent more to bring in a poor class of business or run the danger of having agent compensation determine which company was to get a risk. Consequently, it was made more lucrative for the agent to put all of those who could qualify in the parent State Farm Mutual. Cases close to the borderline require an explanation as to why the driver goes into the company to which he is assigned.

The program is proving its worth after only a short time, Mr. Rust declared. It helped the agent by broadening his market. He said a surprising thing to the company is that more than 75% of the applicants have not

previously done business with State Farm. The company expected most of the risks would come from there.

The insured gets 3% off his premium for every six months of accident-free driving to a maximum of 15%. After 2½ years, when the 15% is achieved, the risk is deemed a good prospect for State Farm and will be so approached.

Set Up To Meet Need

Nationwide Mutual set up its affiliate, Mr. Chilcott said, to meet the need of the largest possible number of people for auto insurance at rates reflecting the individual's driving experience; to satisfy demands that there be a significant difference in premium cost between those who are accident-free and those who are accident-prone, and to increase the number of people insurable through private means with a program that has an appeal to all classes of insurable motorists.

Nationwide General has a merit-demerit plan with rates of from 80% of base to 560%, depending on accident frequency and accident potential. The company has been in operation for two years.

Mr. Chilcott pointed out that in most states no company may write auto insurance with more than one rating plan in the same company, so Nationwide Mutual was automatically prohibited from having its merit-demerit plan while using its conventional rating system.

It has been the experience of Nationwide General that substandard business does not have to be solicited. It is cancelled and rejected by conventional companies every day. It is a group of business seeking out the agent who has a facility, but Mr. Chilcott said each company will probably have to experience this for itself to be convinced that there is a group of risks that will pay almost anything for the auto coverage desired, notwithstanding the assigned risk facility.

Gives Example

He mentioned an example from Cleveland, a relatively high rated territory. There a 2-C risk with a 1959 Cadillac and a 1959 Nash was evaluated by Nationwide General as requiring a premium of \$4,000 annually for full coverage. This insured did not accept that quotation, but he sold his Cadillac, agreed to accept only liability coverage on the Nash and paid an annual premium in excess of \$600.

Mr. Chilcott explained that the substandard facility offers a chance to conserve other good business. The company may have a family with three or four automobiles insured, one of which involves a youthful driver. If the youthful driver produces a situation in which it becomes inadvisable for the company to consider the family at select rates, the young driver can be substantially up-rated for two or three years in the affiliated company and the other policies conserved.

As of June 30, Nationwide General had 35,000 policies in force, with from 20,000 to 25,000 of them falling in the substandard category. The company is writing at a rate of \$6.5 million and has a loss ratio of 70%.

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Mutuals Told: Merit Plans Are Successful, Popular

(CONTINUED FROM PAGE 8)

which credits have been assigned. Somewhat naturally, this so-called clean business has produced some pretty good experience," he said, adding that both NAUA and the National Bureau have found that loss ratios under the safe driver plan are better than expected.

The reaction to the plan by the public has been "almost overwhelmingly good." He attributed this to the fact that many more policyholders are receiving credits than debits.

He observed that some agents have bitterly resisted merit rating, mainly because reduced premiums mean reduced commissions. Usually opponents to the plan are men who have not been hit hard by competition. "I know for a fact that most of the new business which has been produced under merit plans has been produced by new, young aggressive agents or by large agencies employing such young and aggressive men."

Opposition To Form?

Mr. Dauer said that some skeptics had felt that their clients would resist completing an application form for the merit plan, but this feeling apparently was not well founded. National Bureau research indicates that there has been little or no opposition to signed applications.

Generally there seem to be three different stages of reaction by agents. In the first stage they welcome the plans with unbridled enthusiasm, then they become disappointed for a time that the plans are not the panacea they seem to be, and finally in the third state after the enchantment has worn off, they develop a healthy respect for both the good and bad features of the plan.

Although the majority of agents seem to approve of merit plans, many still dislike the so-called economy-type plans, he declared. Some agents will use the economy plans only in intensely competitive situations.

One major reason agents dislike merit plans is because of the administrative burden they impose, especially during the initial months that the program is being set up. This amounts to more paper work with less commission.

Mr. Dauer reported that better than 60% of the 40,000 Auto-Rite (economy) policies issued by Aetna Casualty prior to Sept. 1, 1960, represented new business, and a credible portion of this came from direct writers and other independents. The company has met with considerable resistance to its economy program in Ohio, Minnesota, Iowa and Nebraska where minor traffic violations result in surcharges. The company feels that the Connecticut plan has proved to be much more popular than the original version of the program.

Meeting Resistance

National Bureau studies, Mr. Dauer said, indicate that the new program is accomplishing what its member companies set out to do to recapture the business they had been losing. Furthermore, the program is reaching the most desirable age group.

As a testimonial to the potency of merit plans, Mr. Dauer read a letter from a mutual company which found that it had been unable to resist the plan. "We found in our automobile

liability production that the month following the introduction of the National Bureau and NAUA merit rating plans in Connecticut, our premium volume dropped 50% and the month following that we found a premium reduction of better than 63% as stock and mutual companies introduced and made use of merit rating plans. In order to protect the business we had, we felt it advisable to immediately institute a merit rating plan . . ."

In summary, Mr. Dauer said it seemed to him that the average policyholder likes merit rating and does not mind an increase in the basic rate level as long as he gets a discount. Agents, despite their protests in some areas, favor the plan.

"I believe that this time, for the first time, merit rating is here to stay, Mr. Dauer declared. "There are too many plans in too many states involving too many people now for merit rating to die a slow death anyway and, I believe that those companies which do not have a merit-demerit program will be forced to adopt one soon as a purely defensive measure. Otherwise, they are going to be the dumping grounds for all of the surcharged risks now floating around looking for a home."

Insurers At Bat In N. Y.

Auto Cancellation Hearing

The New York joint legislative committee on insurance rates and regulations will hold its next hearing on cancellation or non-renewal of auto liability policies Oct. 28 at 10:30 a.m. at New York County Lawyers Assn., 14 Versey Street, New York.

Testimony by insurer representatives, particularly underwriters, will be heard. Members of the New York department will also testify and report on the results of a study of the underwriting practices of insurers, according to Sen. Condon, committee chairman.

The Griffin-Buchanan and Langford & Ledbetter agencies of Miami have merged into a partnership to be known as **Griffin-Ledbetter-Buchanan** with offices at 335 Southwest 27th Avenue.

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By H. W. Cornelius of Bacon, Whipple & Co.
135 S. La. Salle St., Chicago, Oct. 18, 1960

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American Motorists	14	15½
Boston	31½	32½
Continental Casualty	75	77
Crum & Forster	73	76
Federal	59	60
Fireman's Fund	48½	50
General Re.	114	120
Glens Falls	33	35
Great American	45½	46½
Hartford Fire	49	50
Hanover	43½	44½
Home of N. Y.	57	58
Ins. Co. of No. America	64	66
Jersey Ins.	32½	34
Maryland Casualty	35½	36½
Mass. Bonding	38	39
National Fire	112	118
National Union	37	38
New Amsterdam Cas.	51½	53
New Hampshire	51½	53½
North River	39	40½
Ohio Casualty	23	25
Phoenix, Conn.	78½	81
Prov. Wash.	18½	19½
Reins. Corp. of N. Y.	21½	23
Reliance	54	55½
St. Paul F.&M.	55½	57
Springfield F.&M.	30½	31½
Standard Accident	45½	46½
Travelers	82½	84
U. S. F.&G.	40	41
U. S. Fire	27½	28½

Morrill Supports NAII Rating Bill, Slaps NAIA Look Ad

(CONTINUED FROM PAGE 43)

lines business of independent agents is obtained by salaried employee solicitors. All that the public is sure to get out of such an ad is the disturbing concept that if you buy insurance you can have trouble collecting claims, get into red tape, lose money, get cancelled and wind up paying three times as much premium.

"Public rock-throwing can only confuse and alienate the public. It can only do damage to our image as a business. It is high time that the independent agents began to accept competition as normal, constructive, fair, right and proper, to devote themselves to selling the advantages of their services without striking at the reputation of their competitors and thereby at the good name of the business from which they make their living.

Regrets Outburst

"Personally, I regret this outbreak of competitive ugliness even more because so much progress has been made within the industry in achieving constructive working relationships at the management level across ideological lines."

The opposition that has appeared to the NAII type of rating law centers its criticism on the prospect of failures that could result from inadequate rates under a system that does not call for prior approval. Mr. Morrill said the relationship between rate adequacy and solvency is only superficial. "The suggestion that insurance company failures are related to inadequate rates is, in my opinion, fallacious," he declared. "It is not demonstrated by the lessons of history. If any affirmative case has even been made that insurance company failures result from inadequate rates or from rate competition, it has been kept hidden from public knowledge. All the evidence runs in the opposite direction."

Cause Of Failures

Failures result from management excesses or incompetence, he said. It is not the inadequacy of the rate, but the failure of management to live within the rate which causes underwriting disasters. Even so, it is difficult to trace an important failure in recent years to inadequacy of rate per se. He attributed failures, in order of importance, to inadequate initial financing, poor underwriting (including assuming uninsurable risks), excessive operating expenses, including commissions, and poor investments.

"If the specter of failure is always to be raised as an argument against rate competition," he added, "then there would seem to be a burden on those who do so to demonstrate the soundness of their arguments."

And even if this point is set aside, Mr. Morrill said the question can still be asked whether the all-industry or the NAII approach offers the greater protection to solvency. The most troublesome aspect of the all-industry laws is the inability to get an essential rate increase because of the political consideration involved. "Has it been easier to get increases or decreases under all-industry?" he asked. "Has the emphasis been on the inadequacy standard or the excessiveness standard? How many instances can be cited when insurance commissioners have required rates to be increased?"

If the answers are as Mr. Morrill

suspects, then he wondered if it is not likely that rating laws which permit rates to be effective automatically are more likely to preserve solvency than the all-industry laws.

Chicago Board Revises Its Educational Program

The Chicago Board is revising its study program to put emphasis on the fundamentals of coverage, rating, mapping, and the use of other tools of insurance for persons of limited experience in the business. Intensive sessions are planned for such coverages as automobile, homeowners, PPF and commercial fire lines.

The board will hold separate seminars, workshops and forums on sales and survey and special underwriting fields. Its new program will separate it from overlap with the educational courses of Insurance Institute of America and the CPCU.

The start of classes will be deferred from the usual opening time of October until January. A minimum of 18 class hours will be offered in the spring and the program will be offered again in the fall of 1961.

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